

**Gordon Institute
of Business Science**
University of Pretoria

**The impact of ethical leadership and interpersonal trust
on employee engagement in an investment banking
environment in South Africa.**

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

6 November 2017

Abstract

Academic studies have investigated the impact of transformational and authentic leadership on employee engagement. However, there have been limited studies undertaken to examine the influence of ethical leadership on employee engagement. A leader's ability to be effective in a corporate environment is related to the degree to which subordinates trust him or her. In this study, the researcher first examines whether ethical leadership influences employees' attitudes and work behaviours, such as engagement and secondly, whether interpersonal trust in the immediate manager influences employee engagement. This study was conducted using a standard multiple regression statistical model based on survey data obtained from employees in the investment banking division of a large South African financial services company. Given the recent high profile corporate and banking scandals both in South Africa and globally, both ethical immediate managers and interpersonal trust in immediate managers are crucial to limit further scandals and ensure the sustainability of organisations.

Keywords

Employee engagement

Investment banking

Ethical leadership

Interpersonal trust

South Africa

Declaration:

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Hassim Coleman

6 November 2017

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Chapter 1: Introduction to the research problem

1.1 Research topic

In today's challenging economic environment, organisations need to maintain a competitive advantage. Employee engagement is a vital ingredient for organisational competitiveness and long-term business survival (Gruman & Saks, 2011; Merry, 2013). According to Merry (2013), organisations are under stress to perform in order to remain sustainable and much of the organisational focus seems to be on managing short-term financial targets and profits. As a result of such pressures, organisations are forced to implement certain measures which directly affect employees, such as pay freezes, benefit cuts and limited training and development opportunities (Merry, 2013). Due to such measures, it makes it difficult for organisations to create and sustain engaging work environments for employees.

Macey and Schneider (2008) propose that due to the changing global nature of work, it is essential for employees to be engaged in order to have a competitive edge. Organisations that create an environment that encourages the engagement of employees have an advantage over competitors, as often it may be easier for an organisation to introduce new products or change prices, but it is much more difficult to increase employee engagement (Macey & Schneider, 2008). Consequently, the research problem was to examine the relationship between ethical leadership and interpersonal trust in the immediate manager and how this influences employee engagement in the investment banking division of a large South African financial services organisation which depends on close interdependence between employees and immediate managers.

Previous academic research has focused more on factors such as perceived organisational support as one of the major antecedent factors positively affecting employee engagement which results in improved productivity and organisational performance (Bakker & Demerouti, 2008; Den Hartog & Belschak, 2012; Gruman & Saks, 2011; Kahn, 1990; Rich, Lepine, & Crawford, 2010). There has been limited empirical research examining an organisations' ability to outperform competitors through focusing on employee engagement (Rich et al., 2010). According to Saks (2006), employee engagement should first take place at an individual level which is related to

the individuals' attitudes and behaviour. Only once there is employee engagement will there be organisational level outcomes such as improved business performance.

Despite academic research showing the positive outcomes of ethical leadership in organisations (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009), the body of research is still small and there has been limited empirical research examining further positive outcomes at the individual level such as engagement (Eisenbeiss, 2012). Several academic studies have shown that ethical leadership positively influences the organisation, known as organisational citizenship behaviour (Avey, Palanski, & Walumbwa, 2010; Mayer et al., 2009). Other academic research has examined the role of ethical leadership in ensuring that employees have meaningful jobs and more control over how they perform their roles, which has led in greater organisational results. Finally, other studies have found that ethical leadership promoted extra-role performance (Piccolo, Greenbaum, Den Hartog, & Folger, 2010; Ruiz-Palomino, Sáez-Martínez, & Martínez-Cañas, 2013). Studies have also shown that extra-role behaviour occurs when employees feel comfortable with their manager and confident to make suggestions and come up with potential solutions to organisational problems, offer to voluntarily assist co-workers and openly share their knowledge and experience (Eisenbeiss, 2012). All these efforts should result in greater organisational performance. According to Xu, Loi and Ngo (2016), studies at the organisational level have looked at the impact of ethical leadership on job satisfaction, employee voice, employee well-being and performance (Chughtai, Byrne, & Flood, 2015; Tu & Lu, 2016; Zhu, Newman, Miao, & Hooke, 2013).

However, there has been limited academic research examining the impact of ethical leadership, which emphasises the ethical components of leadership, in promoting employee engagement at the individual employee level. Ethical leaders frequently communicate about the important role of ethics in the organisation, make decisions which employees perceive as fair, set high ethical standards for employees to follow and use mechanisms such as promotions and bonuses to deter unethical behaviour (Brown et al., 2005). This could subsequently influence employee behaviours resulting in greater engagement and in turn, greater productivity and organisational performance (Den Hartog & Belschak, 2012; Gruman & Saks, 2011; Merry, 2013).

Newman, Kiazad, Miao and Cooper (2014) have found that when employees believe that their manager displays consistent ethical behaviour and has personal characteristics, such as integrity, fairness in decisions, showing respect and genuine concern for their

well-being, they will reciprocate with extra-role performance. It is evident from the academic literature that the relationship between ethical leadership and individual employee level outcomes, such as employee engagement requires further research. As a result, this study explored the effects of ethical leadership (Brown, Trevino, & Harrison, 2005; Brown & Trevino, 2006; Trevino, Brown, & Hartman, 2003) in an investment banking environment in a large financial services company in South Africa, and specifically the way these influence employee engagement. According to the researcher's knowledge, there has been no empirical study which has examined ethical leadership and employee engagement in this context.

The present study also examined perceived interpersonal trust, comprising of both affective trust and cognitive trust between an immediate manager and an employee and how this influences employee engagement (Dirks & Ferrin, 2002; McAllister, 1995). Interpersonal trust between the immediate manager and employees is important in an investment banking environment largely because investment banking is complex and requires much cooperation, knowledge sharing and most importantly, trust (Hassan & Ahmed, 2011). Much of the academic literature has focused on either affective trust or cognitive trust. According to Yang and Mossholder (2010), more research is required into the effects of interpersonal trust in achieving employee engagement which could result in positive organisational outcomes.

This study was conducted in the investment banking division of a large financial services company in South Africa. In the high pressure and demanding environment of investment banking, ethics could be downplayed if the focus is on short-term profitability. The business and theoretical need for the study is discussed below.

1.2 Business need for the study

Although it may appear obvious that ethical leadership, trust and work engagement are interrelated, it appears that leaders in many corporate and banking organisations either do not understand that such interrelationships exist or elect to ignore these links. There have been several high profile corporate and banking scandals in various countries which have mainly been as a result of a deficit of ethical leadership in these organisations.

For example, the 2007 – 2009 global financial markets crisis was mainly due to the influence of unethical leaders in financial institutions and investment banks such as Lehman Brothers encouraging excessive risk taking by employees (Bedi, Alpaslan, & Green, 2015; Eisenbeiss, 2012). It can be argued that a motivation for excessive risk taking is to generate higher short-term profits which result in employees earning higher annual bonuses. Similarly, there have been several high profile corporate and banking scandals in South Africa that have been mainly as a result of the unethical behaviour of leadership in these organisations. For example, the former CEO of Fidentia Asset Management, J. Arthur Brown was found guilty of fraud, (Corbett, 2013) and Jeff Levenstein, the former deputy-chairman of Regal Treasury Private Bank Limited was convicted on six counts of fraud (Beamish, 2013). The allegations of price-fixing against 17 banks, including two of South Africa's largest four local banks for colluding in prices of spot foreign exchange trading involving US dollar/Rand pairings poses serious questions about the role of ethical leadership in these banks and financial institutions.

More recently, KPMG South Africa, part of the global auditing and financial services organisation, has suffered a huge reputational loss and is expected to suffer a potential significant financial loss as a result of perceived unethical leadership and lack of trust in the financial services giant emanating from services and work undertaken for another organisation. As a result of the corporate scandal in which KPMG South Africa has been involved, several South African corporate organisations have cut ties and business dealings with the international auditing firm in response to the reputational risk associated with the firm (Hosken, 2017). The perceived unethical leadership, by both senior leaders and immediate managers responsible for signing off on certain audit reports, has resulted in reputational risk for KPMG South Africa which could affect the long run profitability, sustainability and could result in the potential bankruptcy of the organisation. Similarly, in investment banking, ensuring a strong reputation is crucial to winning large corporate and government deals and ensuring long term profitability and sustainability. Any implication of unethical leadership and lack of trust in an investment bank could result in large reputational loss which in turn, could result in a loss of corporate clients, falling earnings and collapsing share prices of the organisation (Reimers & Scheepers, 2016). Other negative outcomes resulting from a lack of ethical leadership could include employee disengagement and high turnover of talented and skilled employees that would negatively impact on the business performance. In South Africa, the retention of skills is an important organisational issue due to the skills deficit which exists in the country. As a result of such high profile corporate and banking

scandals highlighted above, the organisation and business need to examine leadership from an ethical perspective is of utmost importance today (Brown & Trevino, 2006; Chughtai et al., 2015; Eisenbeiss, 2012; Hassan & Ahmed, 2011; Mo & Shi, 2015). Therefore, according to Eisenbeiss (2012), organisations should increase their efforts in demonstrating ethical leadership throughout the organisation hierarchy, from senior leaders down to immediate managers.

1.3 Theoretical need for the study

Academic studies have found that ethical leadership positively affects employee outcomes, however, there is limited understanding about what factors contribute to employee perceptions of ethical leadership (Jordan, Brown, Trevino, & Finkelstein, 2011). It would appear that different employees may have different perceptions of their manager's ethics depending on their observations and experiences of their immediate manager's personal characteristics and behaviours. A review of current academic literature indicates that the majority of existing ethical leadership studies have been focused at the organisational level with limited understanding of the influence at the individual employee level (Mo & Shi, 2015). As a result, more academic research is required into ethical leadership and interpersonal trust and how this influences follower behaviours at the individual employee level which this study aims to highlight (Mayer et al., 2012). Similarly, Nienaber, Romeike, Searle and Schewe (2015) indicate that more studies on the impact of unmet expectations by direct managers should be undertaken.

According to Dirks and Ferrin (2002), there has been limited research that empirically examines the processes by which relationship-based or character-based perspectives of trust exist. Therefore, at the immediate manager level, ethical leadership as well as interpersonal trust should influence employee attitudes and behaviours such as engagement. Brown and Trevino (2006) indicate that immediate managers work more closely with direct employees than senior executives in an organisation and are therefore in a position to influence employee engagement and to act as suitable role models. Several academic studies have examined the influence of trust between the immediate manager and employees (Newman et al., 2014; Nienaber et al., 2015; Yang & Mossholder, 2010; Yang, Mossholder, & Peng, 2009).

1.4 Research aims and objectives of the study

The two main objectives of this study were to determine the relationship between ethical leadership of the immediate manager and employee engagement and to determine the relationship between interpersonal trust in the immediate manager and employee engagement in the investment banking division of a large South African financial services organisation. The findings of this study are expected to increase the understanding of the role of ethical leadership of the immediate manager and interpersonal trust between employees and their immediate manager and the effect which these two independent variables have on employee engagement in the unexplored cultural context of the investment banking environment in South Africa.

1.5 Research scope and structure of the research report

The research scope is within the investment banking division of a large South African financial services organisation. Quantitative research data was collected through an emailed survey whereby respondents within the investment banking division of the organisation self-answered the questionnaires in employee engagement, ethical leadership and interpersonal trust. The research report to follow comprises the following seven chapters. Chapter One provides the motivation and purpose of the study. Chapter Two details the literature review of the constructs of ethical leadership of the immediate manager, interpersonal trust between the immediate manager and employees and employee engagement. Chapter Two also focuses on the theoretical arguments of social learning theory and social exchange theory as forming the foundation of both ethical leadership and interpersonal trust. Chapter Three formulates the research hypothesis and describes the relationships between ethical leadership and employee engagement as well as between interpersonal trust in the immediate manager and employee engagement. Chapter Four describes the research methodology in detail. Chapter Five provides the results of the statistical analysis. Chapter Six discusses the analysis of the results. Chapter Seven discusses the main findings, limitations of the research, recommendations for South African investment banking divisions, managerial implications of the research and finally recommendations for future research.

Chapter 2: Literature review

2.1 Introduction

The literature review provides a critical interpretation of the literature on ethical leadership, interpersonal trust and employee engagement and provides the theoretical framework on which the research objectives and hypotheses were formulated. This study focused primarily on social exchange theory (Blau, 1964) and social learning theory (Bandura, 1977) as the theoretical foundation on which to examine the constructs of ethical leadership and employee engagement as well as the constructs of interpersonal trust and employee engagement within the highly competitive and demanding investment banking environment in South Africa.

2.2 Ethical leadership

2.2.1 Theoretical background of ethical leadership

According to Jordan et al. (2011), empirical studies of ethical leadership in academic literature has not been as extensively researched as authentic leadership and transformational leadership (Avolio & Bass, 1995; Avolio, Gardner, Walumbwa, Luthans, & May, 2004; Bass, 1985). Trevino, Hartman and Brown (2000) were the first academics to formally examine the ethical leadership construct when they conducted qualitative interviews of corporate executives in order to determine the ethical characteristics of executive-level management and whether these characteristics influenced employee behaviour. According to Mayer, Kuenzi, Greenbaum, Bardes, and Salvador (2009), subsequent work by Brown et al. (2005) incorporated both social exchange theory (Blau, 1964) and social learning theory (Bandura, 1977) as the theoretical lens with which to examine the impact of ethical leadership on employee behaviours such as engagement. They also focused their attention on ethical leadership at the immediate manager level which is the focus of this study and therefore a useful foundation. Social learning theory (Bandura, 1977) describes how an immediate manager can serve as an effective role model and in turn, influence employees' ethical behaviours. One way in which employees learn the types of behaviours which are encouraged by their manager is through their own experience as well as by observing how their immediate manager behaves (Bedi et al., 2015; Mayer, Kuenzi, & Greenbaum, 2010; Mayer et al., 2009). According to Brown

and Mitchell (2010), through the norms of reciprocity and social exchange theory (Blau, 1964), employees feel obliged to reciprocate if they perceive that their manager is caring and concerned for their well-being. As a consequence of this perception, ethical leaders create feelings of fairness and trust in their employees, which subsequently result in employees being more likely to reciprocate with beneficial organisational behaviours that can greatly contribute to organisational effectiveness and performance (Brown & Mitchell, 2010).

As a result of the theoretical foundations of social exchange theory (Blau, 1964) and social learning theory (Bandura, 1977), Brown et al. (2005) described ethical leadership as a leader forming strong personal relationships with employees, as well as constantly displaying and communicating such desired ethical conduct. Den Hartog and Belschak (2012) advocate that ethical leadership affects the self-belief of employees mainly through acting as role models for employees to emulate. In the normal course of business, ethical leaders regularly communicate about the importance of ethics in the organisation, actively display personal ethical conduct and provide feedback to other employees when employees display ethical conduct and in so doing, act as ethical role models (Brown & Mitchell, 2010; Brown & Trevino, 2006).

Mayer et al. (2012) argue that when choosing role models for appropriate behaviour to emulate, employees would follow immediate managers who are deemed legitimate role models for normative behaviour. It is important to note that employees can distinguish between genuine ethical leaders and unethical leaders who are perceived to be dishonest and lack integrity (Brown & Mitchell, 2010). Similarly, Piccolo et al. (2010) highlight that ethical behaviour is important for a manager's credibility if they want to influence employees throughout the organisation.

2.2.2 Moral person and moral manager in ethical leadership

Trevino, Hartman and Brown (2000) argue that the characteristics of ethical leaders include them being both moral managers and moral persons. The moral person aspect refers to the immediate manager's personal characteristics such as honesty, integrity and trustworthiness (Brown & Mitchell, 2010). Moral managers are perceived to be fair and just, respect their employees, develop their employees to their full potential and

show genuine concern about their employee's well-being (Brown & Mitchell, 2010). As a result of such characteristics, employees know that they can approach these managers with both their personal problems and work related concerns knowing that they will be heard. Importantly, they do not fear being targeted for voicing different views to their manager (Trevino et al., 2003).

Academic research has shown that managers are effective in influencing employee behaviour due to their perceived honesty, integrity and trustworthiness (Trevino et al., 2003). It is evident therefore that an immediate manager must be a credible role model and display high levels of moral behaviour in order for employees to follow such behaviour (Brown & Mitchell, 2010). As a result of such consistent ethical behaviour, employees take notice of such behaviours and through social learning practices, follow such role modelling ethical behaviour in the organisation (Trevino et al., 2003, 2000). However, if the manager's own behaviour and actions are inconsistent with what he or she says, then employees may choose to ignore the manager's message of ethical behaviour.

The moral manager aspect refers to how the manager uses his or her formal position in the organisation, instead of his or her personal characteristics (moral person), to influence ethical employee behaviour at work (Brown & Mitchell, 2010). Moral managers use formal organisational structures such as remuneration to hold employees accountable for inappropriate conduct, thus creating a system that reinforces ethical behaviour and punishes unethical behaviour (Trevino et al., 2003). Ethical behaviours include making consistent fair and principled decisions regardless of personal relationships, communicating the importance of ethics to all employees and making it known that ethical behaviour is valued by rewarding employees displaying ethical behaviours and disciplining employees who display unethical behaviour (Trevino et al., 2003, 2000). Unethical behaviour by employees includes lying to both immediate manager and clients, stealing, discrimination and abusing company resources (Mayer, Kuenzi, & Greenbaum, 2010). Unethical behaviour by the immediate manager includes behaviour that is regarded as illegal or violating the organisation's standards (Brown & Mitchell, 2010). The manager does not have to be the one actually engaging in the unethical behaviour. Though his or her behaviours and conduct of condoning or ignoring unethical behaviour or actions by employees or by rewarding employees even when there is clear evidence of unethical behaviour, they can send the message that this type

of conduct is acceptable as there are no consequences for unethical behaviour in the organisation (Brown & Mitchell, 2010). For example, ethical leaders use the performance appraisal system as one mechanism to manage employee behaviour and conduct (Brown & Trevino, 2006). The next section briefly compares ethical leadership to other leadership constructs.

2.2.3 Overlap of ethical leadership with other leadership styles

According to Avey et al. (2012), the ethical leadership construct overlaps with other leadership constructs, including authentic leadership (Avolio & Gardner, 2005) and transformational leadership (Bass, 1985). Transformational leaders are principled and visionary leaders who display positive behaviours in the organisation. They also include employees in important decisions and communicate organisational strategies to employees. Most importantly, transformational leaders inspire employees to focus on achieving the collective organisational goals (Schaubroeck, Lam, & Peng, 2011). Authentic leadership focuses on the authenticity of the leader or manager who builds authentic relationships with employees based on transparency, openness, trust and a focus on organisational objectives and employee development (Bruce, Avolio & Gardner, 2005; Gardner, Avolio, Luthans, May, & Walumbwa, 2005). Authenticity is a key characteristic of authentic leadership and differentiates this construct from ethical leadership, although they both focus on the leader's individual characteristics (Brown & Trevino, 2006).

Ethical leadership and transformational leadership are similar as they both focus on the leader's personal character such as caring for employees and acting consistently with integrity (Brown & Trevino, 2006). According to Mayer et al. (2009), ethics comprises only one part of the transformational leadership whereas ethics is the key focus of ethical leadership. The moral manager dimension of ethical leadership is more aligned with transactional leadership than transformational leadership (Brown & Trevino, 2006). Most importantly, ethical leadership includes a transactional element that differentiates it from both authentic leadership and transformational leadership (Chughtai et al., 2015). Similarly, it does not include reference to visionary leadership which is consistent with transformational leadership (Brown & Trevino, 2006).

Bedi et al. (2015) argue that although both transformational leadership and authentic leadership highlight the role of ethics, neither of these theories explain the influence of the leader's ethical behaviour as a mechanism for employees to emulate. Ethical leadership is also distinct from other leadership styles because the immediate manager uses transactional means to directly influence ethical employee behaviour in the organisation through the power and control they exercise over formal organisational rewards and policies (Bedi et al., 2015; Brown & Trevino, 2006; Mayer et al., 2012). In an investment banking environment, the ethical leadership and the rewarding of annual performance bonuses are a key reason why this leadership style was examined in this study. Table 1 as per Appendix I details a list of the citations referenced in this document in terms of the underlying theories, antecedents and outcomes of ethical leadership.

2.2.4 Significance of ethical leadership for organisations

Academic studies of the impact of ethical leadership on job performance and organisational citizenship behaviours have increased (Avey et al., 2010; Bedi et al., 2015; Brown & Trevino, 2006; Eisenbeiss, 2012; Jordan et al., 2011; Mayer et al., 2012; Mayer et al., 2009; Piccolo et al., 2010; Ruiz-Palomino et al., 2013; Trevino et al., 2003). Other academic research has shown that ethical leadership impacts on trust in leadership, employee job satisfaction, extra work effort and commitment to the organisation (Brown & Mitchell, 2010; Brown et al., 2005; Mayer et al., 2012).

According to social exchange theory (Blau, 1964), when employees believe that their immediate manager acts with integrity when making decisions which directly affect them (moral person), they may reciprocate through greater organisational citizenship behaviour which positively affects the organisation's performance (Eisenbeiss, 2012; Newman et al., 2014). Similarly, when an immediate manager treats employees fairly and follows fair organisational procedures in the workplace, they encourage ethical behaviour in employees. Avey et al., (2012) and Piccolo et al. (2010) contend that ethical leaders share power, listen to employees' ideas and work problems and concerns and allow them the opportunity to have a voice in important decisions which directly affect them. Den Hartog and Belschak (2012) found that ethical leadership resulted in lower outcomes of counterproductive work behaviours. A study which examined ethical leadership in the hotel industry, revealed an increase in organisational commitment and subsequently an increase in the hotel's financial performance (Kim & Brymer, 2011).

Ethical managers are perceived as honest, fair, trustworthy, make ethical decisions, act as role models and care about employees (Brown & Trevino, 2006). They also communicate openly and take employees' points of view into account when making decisions which directly affect them (De Hoogh & Den Hartog, 2008; Piccolo et al., 2010). As a result of such positive behaviours, when employees perceive that their immediate manager truly cares for their well-being, they are more likely to perceive their immediate manager as ethical and also to have trust in the immediate manager. Similarly, the social learning theory perspective suggests that when the immediate manager always acts ethically and communicates about ethics, they gain the respect of employees and so become role models for employees to emulate ethical behaviours and actions (Bedi et al., 2015; Kalshoven, van Dijk, & Boon, 2016).

From the academic literature discussed above, ethical leadership impacts individual employee behaviours which in turn positively affect organisational level outcomes. Employees look for evidence of their immediate manager's motivation in order to determine whether their manager is more concerned about himself or herself and the organisation's bottom line rather than caring about employees. In this way, they perceive their manager as ethical or unethical and whether the organisation is conducive to an ethical work environment which directly affects their behaviours such as engagement which in turn, affects organisational performance (Trevino et al., 2003).

Although ethical leaders are indeed concerned about generating annual profits, they are more concerned about the ways and methods that both they and their employees use to achieve the annual profits and business goals (Brown & Trevino, 2006). Ethical leaders focus on the organisation's reputation and long-term sustainability and not merely on quick short-term gains that might deliver immediate, bottom line results. On the other hand, unethical leaders are less concerned about their employees' well-being and the organisation's code of ethics and are more self-centred and may therefore use their authority and power in negative ways to achieve their goals (Trevino et al., 2003).

2.2.5 Critiques of ethical leadership

Critiques of the ethical leadership construct include that firstly, because of the multifaceted nature of the construct, ethical leadership usually involves contexts and moral dilemma situations in which there are no clear-cut solutions and tailored solutions need to be developed (Eisenbeiss, 2012). For example, leaders need to decide on which

short-term or long-term corporate goals to focus or whether to focus on internal or external stakeholders. At the same time, the current approaches only explore ethical leadership from a European and American perspective and do not take into account the values of other cultural perspectives (Eisenbeiss, 2012). The aim of this study was to examine ethical leadership in a non-western, South African investment banking environment from the perspective of influencing employee engagement in order to ensure the long-term sustainability of the organisation.

A second critique is whether ethical leadership behaviour necessarily means complying with the prevalent organisational norms, even when these norms are unethical (Eisenbeiss, 2012). For example, as stated above, norms created in investment banks such as Lehman Brothers and more recently Wells Fargo around maximising short-term profits came at the expense of long-term sustainability of the organisation. Changing the norm in such situations would be the ethical solution. A third critique is that even although leaders in an organisation may appear to be ethical by acting fairly and treating employees with respect, their actions may show that they are unethical such as taking questionable measures to win new business in order to meet high annual performance targets (Eisenbeiss, 2012). Given the recent corporate and investment banking scandals, it was important to examine whether immediate managers in a South African investment banking division focused more on ethical leadership as a way to influence employee engagement or focused mainly on generating short-term profits in an unethical manner.

Having examined the theoretical development of ethical leadership and the impact on individual employee behaviour and the effect this has on organisational outcomes, the next section looks at the measurement of ethical leadership.

2.2.6 Measurement of ethical leadership

The exploratory research undertaken by Trevino et al. (2003, 2000) was an important first step to formally understand ethical leadership. To further develop the construct, an instrument to empirically test ethical leadership in organisations was required. In this regard, Brown et al. (2005) formulated the ethical leadership scale (ELS) which consists of ten questions using a seven item Likert-scale to test whether a leader displayed ethical behaviours in the organisation.

According to Jordan et al. (2011), the ethical leadership scale is based on the key personal characteristics and behaviours ethical leaders displayed in the research undertaken by Trevino et al. (2003, 2000) as well as upon social learning theory (Blau, 1964). Bedi et al. (2015) advocate that the ethical leadership scale measures a leader's ethical behaviours in the workplace including whether the leader communicates openly with employees, whether decisions are perceived to be fair and whether the leader takes action against employees guilty of unethical behaviour. Validation research has found support for the ethical leadership scale (ELS). According to Yukl, Mahsud, Hassan, and Prussia (2013), the ethical leadership scale predicts whether a leader's overall measurement score predicts several ethical leadership outcomes including employees' satisfaction with the work, employees' willingness to put additional effort into their work, employees' willingness to reporting problems and whether the leader is effective. This study examined individual employees' perceptions of their immediate manager's ethical leadership as they work closely with their immediate manager and have insights into whether their leader treats employees fairly and acts with integrity. As such, the ethical leadership scale was deemed the most appropriate measurement instrument for this study.

A key critique of the ethical leadership scale is that the instrument does not specifically measure key aspects of the construct such as honest communication between employees and leaders and the leader's fairness in terms of assignments and rewards (Yukl et al., 2013). However, despite these limitations, the ethical leadership scale remains a widely used measurement instrument of ethical leadership in organisational literature (Bedi et al., 2015). The development of this instrument has greatly advanced the development of the ethical leadership construct over the past decade.

The researcher also examined other instruments to measure ethical leadership. For example, the ethical leadership at work questionnaire measures seven subscales of ethical leader behaviours which are similar to the ethical leadership scale (Karianne Kalshoven, Den Hartog, & De Hoogh, 2011). The three subscales in this instrument that are the most applicable for measuring ethical leadership are, fairness, integrity and ethical guidance (Yukl et al., 2013). A critique of this instrument, however, is that items, such as role clarification, are more applicable to task behaviour while other items such as sustainability are more applicable for measuring societal social issues rather than ethical leadership (Yukl et al., 2013). As this measure focused more on the ethical leader

behaviours which impact on a followers' organisational citizenship behaviour instead of individual employee engagement, it was deemed inappropriate for this study. As a result, the ethical leadership scale (Brown et al, 2005) was deemed to be the most suitable fit to determine the immediate manager's ethical leadership and influence on the engagement of employees in an investment banking environment.

As evident from the discussion above, ethical leadership is an important leadership construct for managers and leaders to understand in today's complex and diverse organisations, such as in an investment banking environment. The next section examines the interpersonal trust relationship between immediate managers and employees. The researcher proposes that both ethical leadership and trust are crucial in order to influence positive employee behaviour which should result in greater employee engagement in organisations.

2.3 Interpersonal trust

2.3.1 Theoretical background of trust

Trust is an important construct in leadership and organisational studies and there are several definitions of trust found in academic literature. Trust can be defined as being open and susceptible to someone who you believe has your best interest at heart and will therefore act accordingly (Mayer, Davis, & Schoorman, 1995; Rousseau, Sitkin, Burt, & Camerer, 1998). It is important to note that trust can exist between employees at the team level, between employees and the manager (i.e. manager level) and between employees and the organisation (i.e. organizational level) (Dirks & Ferrin, 2002).

According to Burke et al. (2007), other definitions of trust have combined the two dimensions of cognitive trust and affective trust into what is known as interpersonal trust. Cognitive trust (McAllister, 1995) refers to an employee's objective assessment (using the rational brain) of the immediate manager's personal character such as their integrity, competence, reliability, honesty, fairness and track record. Affective trust refers to an emotional attachment (using the heart) between the immediate manager and the employee (McAllister, 1995). Most importantly, trust occurs when an employee perceives that his or her immediate manager shows genuine care and concern about his or her welfare (McAllister, 1995; Yang & Mossholder, 2010).

Dirks and Ferrin (2002) undertook a meta-analysis of interpersonal trust in leaders and examined the antecedents to trust, the outcomes of trust and the moderating role of direct leadership versus indirect leadership. According to Burke, Sims, Lazzara and Salas (2007), their work focussed on three main antecedent variables to trust. The first antecedent variable proposes that trust between employees and managers are influenced by the perceived organisational support employees receive as well as whether managers involve and discuss important decisions directly with all employees before any final decisions are made. The second antecedent variable focused on employee attributes and how this influenced the trust in their manager and finally, the third antecedent variable focused on the length of time the employee reported to the manager.

Dirks and Ferrin (2002) also examined the outcomes of interpersonal trust between a manager and an employee. The first outcome of trust their study examined was employees' behavioural and performance outcomes as measured by organisational citizenship behaviours (OCBs) and job performance. The second outcome of trust examined employee job attitudes and intentions as measured by organisational commitment, intention to quit and job satisfaction. The third outcome of trust examined the correlates of trust. In this study, the behavioural outcome of employee engagement as a result of strong interpersonal trust between an employee and an immediate manager was examined. It is argued that increased employee engagement is required in order to achieve increased organisational performance and long term sustainability.

The present study examined the gap in academic research by examining interpersonal trust in the immediate manager which is different to the influence of trust in senior executives. The main reason for focusing on the immediate manager is because he or she is both physically and interpersonally closer to employees than senior executives and therefore should be in a position to influence employee engagement more directly (Yang & Mossholder, 2010). There have been several academic studies investigating interpersonal trust which consists of both affective and cognitive trust dimensions and the outcomes for employee engagement and organisational performance (Burke et al., 2007; Dirks & Ferrin, 2002; Kong, Dirks, & Ferrin, 2014; McAllister, 1995; Newman et al., 2014; Nienaber et al., 2015; Schaubroeck et al., 2011; Yang & Mossholder, 2010; Yang et al., 2009; Zhu et al., 2013). Previous academic research has found that interpersonal trust in the immediate manager positively correlates to employee engagement which this study examined as well (Buckley, 2011; Wong, Spence-Laschinger, & Cummings, 2010).

2.3.2 Social exchange theory link to trust in immediate manager

Social exchange theory (Blau, 1964) was also used as the foundation from which to examine interpersonal trust. According to Yang and Mossholder (2010), trust plays an important role in the social exchange between immediate managers and employees. Yang et al. (2009) advocate that an immediate manager is responsible for initiating the social exchange relationship. Employees continually assess their manager's behaviour and actions and then decide whether there is any evidence of either affective trust or cognitive trust in their work relationship which influences their own behaviour (Yang et al., 2009).

Employees experience positive social exchange relationships with their immediate manager when they perceive that their manager is fair, keeps promises and genuinely cares about their well-being and should reciprocate through greater engagement (Dirks & Ferrin, 2002). On the other hand, any lack of trust or employee concerns about their manager's character such as his or her ethics, integrity, dependability, fairness and ability, could negatively influence behaviours such as employee engagement. Lending support to this argument, Wang and Hsieh (2013) advocate that employee motivation is affected by the support and trust in their immediate manager. They argue that when employees trust their immediate manager, as a result of transparent and open communication, this results in reciprocal efforts by employees to willingly engage more in their work which ultimately benefits the organisation.

According to Burke et al. (2007), an immediate manager's integrity, which employees assess through observing the consistency between the manager's words and actions and behaviours is crucial in fostering strong interpersonal trust between employees. If employees believe that the immediate manager does not have integrity and cannot be trusted, based on past evidence, then the employee will spend more effort covering his or her back by documenting work performance instead of spending more time on actual performance (Burke et al., 2007).

According to Xu et al. (2016), immediate managers need to be moral managers by focusing on ethics in the organisation and ensuring that employees understand these standards. They should also be moral persons through showing genuine care and fairness in their decisions. In this way, they are able to create interpersonal trust with employees. Table 2 as per Appendix J details a list of the citations referenced in this document in terms of the theories, antecedents and outcomes of interpersonal trust.

2.3.3 Significance of interpersonal trust for organisations

Previous research has focused on the impact of trust on employee engagement (Bakker & Demerouti, 2008; Den Hartog & Belschak, 2012; Gruman & Saks, 2011; Harter, Schmidt, & Hayes, 2002; Mayer et al., 1995; Rich et al., 2010; Saks, 2006; Schaufeli et al., 2006). However, according to Schoorman, Mayer and Davis (2007), much of the academic research has focused on examining cognitive trust. Similarly, Dirks and Ferrin's (2002) study did not focus explicitly on interpersonal trust between employees and direct managers. In this study, the researcher addressed this gap by examining interpersonal trust in the immediate manager, in order to determine employee engagement. Immediate managers are involved in direct role/job issues of an employee while senior leaders are more involved with higher level organisational issues such as strategy (Yang & Mossholder, 2010). Therefore, this study examined interpersonal trust between the immediate manager and employees in an investment banking environment.

Academic studies have shown that an employee's trust in his or her immediate manager positively affects the employee's individual job performance (Burke et al., 2007) and motivation at work (Mayer et al., 1995). At the organisational level, trust between the employee and the immediate manager results in greater organisational commitment (DeConinck, 2011) which results in the retention of talent and skills in the organisation as well as increased organisational performance in the form of higher quality service. Other academic research has examined trust between peers and co-workers in the organisation. Schaubroeck, Peng and Hannah (2013) have found that when employees join a new organisation or team, it is important for them to firstly develop cognitive trust in their peers and immediate manager which will give them the confidence and ability to perform their work role. This should then allow them to develop affective trust in their peers and immediate manager over time. If an employee does trust his or her immediate manager, this should positively affect the employee's intention to turnover and engagement, which has important financial implications for the organisation.

Due to the asymmetry in power between a manager and employees, the immediate manager has higher status and more power over employees' job satisfaction such as performance evaluations and training (Rich, 1997). Employees are dependent and should feel safer and more positive about the manager making such decisions if they perceive that the manager is trustworthy and makes fair decisions (Nienaber et al., 2015). Burke et al. (2007) indicate that employees perceive that their immediate manager is fair if the manager takes time to explain decisions or provide feedback to employee

concerns, consults with and then takes employees' points of view into account when making decisions and is aware of personal bias when making decisions.

On the other hand, if an employee does not trust his or her immediate manager, this is likely to affect the employee's behaviour which could result in the employee reducing his or her work effort and becoming disengaged (Dirks & Ferrin, 2002). Similarly, employees could resort to spending more time covering their backs and less focus on work performance if they believe that their manager cannot be trusted (Mayer & Gavin, 2005). Another negative organisational outcome resulting from a lack of perceived trust in the immediate manager is undesired employee turnover (Burke et al., 2007). This turnover is undesired because the organisation loses key employees who are usually highly productive and beneficial to the organisation. These employees leave the organisation because they do not perceive that their immediate manager has their best interest at heart and is seen to be exploiting them (Burke et al., 2007). This results in a lack of trust in the immediate manager.

There are several critiques and shortcomings of the current academic literature which have examined the impact of trust between managers and employees. Newman et al. (2014) propose that further studies should examine whether the influence of trust and ethical leadership apply in different cultural contexts, while Chughtai et al. (2015) contends that studies on the impact of trust on employee engagement has been limited. There have been no such studies conducted in the investment banking environment. Another criticism of the current literature is that it is focused towards cognitive trust whereas interpersonal trust, which combines both affective trust and cognitive trust, is relevant for influencing beneficial outcomes in organisations (Yang & Mossholder, 2010).

In an investment banking environment with a diverse and empowered workforce, the development of trust is one mechanism to ensure that employees work together more effectively. In such an environment, if a manager is perceived to be micro-managing work and always monitoring employees, this could result in less engaged employees. Employees work individually as well as in teams on certain deals which necessitates depending on others to complete a deal or goal. In order to avoid self-serving behaviours, organisations use formal control mechanisms that have been described as weak substitutes for trust (Mayer et al., 1995).

2.3.4 Measurement of interpersonal trust

This study examined interpersonal trust using a measurement instrument developed by Yang et al. (2009) and Yang and Mossholder (2010) which was based on McAllister's (1995) definition of trust which combines both affective trust and cognitive trust. McAllister's (1995) measurement instrument was designed mainly to measure trust between employees and managers of equal status in the organisational hierarchy. However, this study examined the trust relationship from the perspective of an employee's trust in the immediate manager which implies an unequal and upward trust relationship (Burke et al., 2007). Other models such as Mayer et al.'s (1995) model of trust were deemed unsuitable for the purpose of this study.

In order to assess interpersonal trust between an immediate manager and an employee where the immediate manager has more authority and power, such as in an investment banking environment, this study employed an instrument which only focused on trust in the immediate manager (Yang & Mossholder, 2010; Yang et al., 2009). An immediate manager's ability to be effective in an investment banking environment is the degree to which employees trust him or her and the influence this has on employee engagement and hence, this was a key rationale for hypothesis two. In South Africa, a previous study by Chughtai et al. (2015) showed that both ethical leadership and interpersonal trust in the immediate manager influenced the engagement of trainee accountants in an accounting environment.

2.4 Employee engagement

2.4.1 Theoretical background of employee engagement

According to Gruman and Saks (2011), there are several definitions of employee engagement in both academic research as well as organisational practice. However, all definitions imply that engagement comprises individual employee commitment, enthusiasm, focused effort and energy which is important for managers to understand in order to influence performance. It can therefore be argued that engagement consists of both employee behavioural and attitudinal characteristics (Macey & Schneider, 2008). This makes sense as employees differ greatly in terms of their dedication to their job as well as the amount of personal intensity and attention they exert in a role (Avey et al., 2010).

Studies have shown that engaged employees contribute more and are less likely to voluntarily leave the organisation (Macey & Schneider, 2008). Similarly, studies have predominately focused on identifying the pre-conditions (antecedents) that influence employee engagement (Rich et al., 2010). Recent studies conducted in South Africa have examined the impact of resilience, perceived organisational support and employee engagement in a competitive sales environment (Meintjes, 2017) as well as the influence of authentic leadership and perceived organisational support on employee engagement (Vermeulen, 2015). In this study, the role of an ethical manager and interpersonal trust and their influence on employee engagement in an investment banking environment was examined.

The definition of engagement is similar to organisational citizenship behaviour whereby employees display voluntary extra-role behaviour and organisational commitment which refers to employees' attachment and attitude toward the organisation (Albrecht, Bakker, Gruman, Macey, & Saks, 2015). However, employee engagement is conceptually different from organisational commitment because the focus is on the individual employee's work rather than on the organisation (Macey & Schneider, 2008). As a result, engagement is both a rational and emotional behaviour and occurs when employees are fully immersed in their jobs (Saks, 2006).

Kahn (1990) was the first to conduct a qualitative study to determine the personal engagement of employees in their jobs and to identify the antecedents responsible for engagement or disengagement. Building on this, Maslach, Jackson and Leiter (1996) further investigated engagement from the perspective of employee energy and involvement which they viewed as the opposite from the literature on burnout which focused more on the exhaustion and cynicism of employees. The job demands-resources (J D-R) model indicates that the demands of the job and the resources available influence employee stress and burnout potentially resulting in lower employee engagement (Bakker & Demerouti, 2007).

2.4.1.1 The personal role engagement model

Kahn's (1990) theory of engagement focused on understanding whether people make rational and cognitive decisions about their own engagement levels or whether they believe that engagement involves an emotional or physical response to work efforts. His research identified several conditions which influenced employee engagement or

disengagement at work. Psychological meaningfulness occurs when employees believe that they are receiving a fair return on investment of the emotional and physical energy they exert in their role. Employees are likely to feel this way when they perceive that they are not taken for granted and are instead made to feel worthwhile, valuable and as if they have made a difference in the organisation (Kahn, 1990). Engaged employees are psychologically present at work, connected to their work colleagues and are fully immersed when performing their organisational role. As a result, they show greater effort in their job and are usually willing to take on additional work responsibilities at their own discretion. On the other hand, disengagement in terms of this model occurs when an employee withdraws himself/herself when performing the job.

Rich et al., (2010) advocates that Khan's study revealed that employees in an organisation experience psychological safety when they have control over their own work, when they have a manager who is supportive and when they have close, trusting interpersonal relationships with colleagues on whom they can depend. As a result of such psychological safety, employees are allowed to and willing to take risks to try to perform their role differently or to improve the organisational performance, without fear of being reprimanded or dismissed should they fail (Kahn, 1990). This could result in greater engagement. On the other hand, employees working under managers' who are unpredictable and threatening are more likely to be cautious to try new things and are more likely to disengage from the work (Rothmann & Rothmann Jr, 2010). Disengaged employees are also more likely to withhold and limit their engagement at work which results in work behaviour that is seen as automatic, burned out, detached and effortless (Kahn, 1990).

In contrast, employees with a supportive immediate manager and close interpersonal relationships with their immediate manager and work colleagues should result in employees' willingness to fully engage in their role (Rich et al., 2010). This creates psychological availability which is crucial in an investment banking environment which usually depends on team support to close and execute deals within tight deadlines for large and important corporate and government entities. In terms of this model, a lack of psychological availability could result in employee disengagement which could negatively affect key client relationships and in turn, organisational performance. Rich et al. (2010) highlight that Khan's (2002) engagement theory is motivational because it refers to employees choosing to allocate personal resources, such as extra effort when performing their role. More importantly, employees determine how intensely or

persistently they choose to apply such personal effort (engagement) to their role. A critique of Kahn's (2002) model of engagement is that defining engagement as extra or discretionary effort is problematic because it cannot be easily defined and means different things in different contexts and for different employees (Macey & Schneider, 2008).

2.4.1.2 The work engagement model

Research by Schaufeli, Salanova, Gonzalez-Roma and Bakker (2002) discussed engagement as characterised by vigour, dedication, and absorption. In terms of this definition, employees who are engaged are physically and emotionally connected to their work. Importantly, engagement does not occur only at one particular point when an employee is working, but instead is characterised when an employee is continuously engaged over long periods of time. According to Rothmann and Rothmann Jr, (2010), Kahn's (1990) personal engagement model is focused on the individual, while Schaufeli and Bakker's (2004) model examined engagement using social exchange theory (Blau, 1964). On the other hand, they further state that there are overlaps in Kahn's (1990) personal engagement model and Schaufeli et al.'s (2002) work engagement model. Firstly, employee engagement comprises of a physical component which occurs when employees exert physical energy into their work, similar to vigour and psychological meaningfulness. Secondly, a cognitive component occurs when employees are absorbed and focused in their work which is similar to absorption and psychological availability. Finally, emotional engagement occurs when employees show commitment and dedication to both their job and work colleagues which is similar to dedication and psychological safety (Rothmann & Rothmann Jr, 2010).

2.4.1.3 The burnout model of engagement

Another model of employee engagement comes from the literature on burnout (Saks, 2006). In the job demands-resources model, an organisation operating in a strong economy that has low levels of unemployment and high job demand coupled with high organisational job resources should result in less stressed employees, resulting in greater employee engagement (Maslach & Jackson, 1981). As a result, employee engagement in terms of this model is characterised by high employee involvement, efficacy and energy when performing their work roles (Maslach & Jackson, 1981). When there are limited work resources coupled with increased job demands, this results in

employees feeling more strained at work and more likely to burnout (Bakker & Demerouti, 2007). Maslach and Jackson (1981) described burnout as characterised by cynicism, inefficacy and exhaustion which is mainly caused by work stress.

Given the demanding, complex and high stress environment of investment banking, it is easy for employees to become burnt out and disengaged. Employees who are burnt out are emotionally exhausted and cynical towards the organisation, resulting in less dedication to the job and less employee engagement (Avey et al., 2010). Similarly, employees are more likely to voluntarily depart the organisation from exhaustion and cynicism that conditions in the organisation are not going to change any time soon. However, a critique of the job demands-resources (J D-R) model is that although it provides support for a link to employee burnout, there has been no clear empirical evidence supporting that there is higher employee engagement when both job demand and job resources are high (Rich et al., 2010).

2.4.1.4 Social exchange theory link to employee engagement

Saks (2006) advocates that social exchange theory (Blau, 1964) provides a theoretical foundation for better understanding employee engagement. According to this theory, trusting relationships and mutual commitments develop as long as both immediate managers and employees follow the rules of exchange which involve reciprocity in the workplace (Blau, 1964). Therefore, if an immediate manager provides greater support and fair treatment, employees feel obliged to repay their manager through increased cognitive, physical and emotional effort which results in greater engagement and work performance (Saks, 2006).

Saks (2006) describes engagement as occurring when employees have autonomy in how they perform their work, a supportive manager and work environment, feelings of perceived fairness and justice in how they are treated, adequate performance rewards and recognition for their efforts and ultimately, work which they regard as meaningful and important. On the other hand, employees disengage from their work when their immediate manager is unfair and unconcerned about their well-being. Table 3 as per Appendix K details a list of the citations referenced in this document in terms of the underlying theories, antecedents and outcomes of engagement.

2.4.2 Significance of employee engagement for organisations

The global nature of work is rapidly evolving and having engaged employees is regarded as a competitive advantage for modern organisations (Macey & Schneider, 2008; Schaufeli & Salanova, 2007). Other studies have found that leadership influences employee engagement (Babcock-Roberson & Strickland, 2010). The significance of employee engagement can be reviewed both in terms of the benefits to the employee as well as benefits to the organisation. The financial implications of an engaged workforce could be a significant and key competitive advantage in the demanding investment banking environment. Research by AON Hewitt (2015) reveals a direct correlation between employee engagement and an organisation's financial performance. The research found that engaged employees have positive things to say about the organisation, are proud to be part of the organisation, deliver the most value to the organisation and strive to achieve both their own success and the organisation's success (AON Hewitt, 2015).

Despite several studies into research on employee engagement, many organisations experience low levels of employee engagement. Disengaged employees can cost companies, and more broadly, the economy, millions in lost revenue due to lower productivity (Shuck et al., 2011). The 2015 AON Hewitt study reveals that two out of ten employees are actively disengaged. These employees do not say positive things about a company, do not see a long-term career in the company and do not strive to go above and beyond their core job function. Given the importance of employee engagement and more importantly how to minimise employee disengagement, organisations are interested in how to ensure the engagement of employees.

Research conducted by AON Hewitt (2015) into employee engagement comprising over eight million employee records between 2010 to 2014, revealed that leaders who engage employees are the key ingredient to creating a culture of engagement that sustains business results which is vitally important in a fast-changing and complex global environment. Similarly, a lack of support from immediate managers has resulted in employee withdrawal from their work, burnout and disengagement (Saks, 2006). On the other hand, when an immediate manager supports an employee, this shows that the manager recognises the employee's engagement and shows concern for the employee (Rich et al., 2010). In such circumstances, employees engage more fully in their work. First-line supervisors (immediate managers) are important for building employee engagement and are the main cause of employee disengagement (Saks, 2006).

The role of immediate managers in driving employee engagement is crucial in complex organisations, such as investment banks that deal with high profile clients and large financial investments and therefore require employees to be fully engaged at all times and to be committed to high standards of work and performance (Rothmann & Rothmann Jr, 2010). Employee engagement is vital in the highly demanding environment of investment banking. Results from a national engagement survey conducted in South Africa in 2015, consisting of over 1100 employees across several sectors, including banking, indicated lower levels of employee engagement. 65% of all respondents indicated that their direct manager does not lead by example or communicates goals clearly and 84% of all employees want more effective employee engagement (Clark, van Lingen, & Swarts, 2015). This study examined employee engagement in an investment banking environment from the perspective of the work engagement model. The next section addresses the measurement of employee engagement.

2.4.3 Measurement of employee engagement

The 17-item Utrecht Work Engagement Scale (UWES), comprising 17 questions, was designed to empirically examine the three sub-constructs of engagement, being vigour, dedication and absorption (Bakker & Demerouti, 2008; Schaufeli et al., 2006, 2002). Employees who are engaged display vigour by showing high levels of physical and emotional engagement and are willing to give more effort in their job. They also possess the mental resilience and commitment to persevere under challenging work conditions and environments (Bakker & Demerouti, 2008; Schaufeli et al., 2006, 2002). Dedication, in terms of this model, refers to employees feeling inspired and engrossed while working. The main reason for such work dedication is that employees feel proud of their work and are cognitively challenged by the nature of the work, resulting in less boredom and in greater employee engagement (Bakker & Demerouti, 2008; Schaufeli et al., 2006, 2002). Absorption occurs when employees are completely and diligently focused on their work such that they do not notice how late they are working (Bakker & Demerouti, 2008; Schaufeli et al., 2006, 2002).

Therefore, according to this model, engaged employees ultimately enjoy their work, are full of energy and are better able to deal with stress (Schaufeli et al., 2006, 2002). As such, this model was more aligned to measure employee engagement in the investment banking industry in South Africa than other models. According to Bakker and Demerouti (2008), this model has been extensively used to measure employee engagement in

several countries in Europe and Asia (Rothmann & Rothmann Jr, 2010; Schaufeli et al., 2002). Schaufel, Bakker and Salonova (2006) went on to develop the shorter nine-item Utrecht Work Engagement Scale (UWES). In the development and validation of this shorter engagement measurement instrument, the researchers collected data across several countries and the statistical results confirmed that the 17 items could be suitably shortened to nine-items (questions). This study examined employee engagement at the employee level. The investment banking work environment is highly demanding and there are always tight work deadlines for employees to meet. The shorter nine-item version provided the advantage of fewer questions, which are important for busy employees working in investment banking, yet was still able to provide an accurate measurement of overall employee engagement in this context (Schaufeli et al., 2006). Therefore, for the purpose of this study, overall employee engagement, which combined the scores for each of the three sub-constructs into one overall engagement score, was measured using this measurement instrument.

It is also important to note that other instruments to measure employee engagement were explored and were excluded because they did not focus specifically on employee engagement in such a context. Kahn's (1990) 18-item employee engagement scale which measures physical engagement, emotional engagement and cognitive engagement was deemed impractical for this study as it was too long (Rich et al., 2010). Similarly, Maslach's burnout inventory (MBI) instrument, which is specifically used to measure both burnout and engagement (Maslach et al., 1996) was excluded as this study did not examine employee burnout and this instrument was therefore not applicable. Similarly, Saks' (2006) engagement measurement instrument which is used to measure both job and organisation engagement was not suitable as this study specifically examined employee engagement, not organisational and job engagement.

2.5 Chapter conclusion

The aim of this research was to determine the relationship between ethical leadership of the immediate manager, interpersonal trust and employee engagement in an investment banking environment. In today's highly complex and challenging economic environment in South Africa, a deeper understanding of these relationships could assist financial services organisations and investment banks to develop a more engaged workforce.

Chapter 3: Hypotheses

3.1 Introduction

The premise of this research is that employee engagement is a desirable organisational behaviour outcome in the highly competitive and demanding investment banking environment. There is limited empirical evidence concerning which factors influence employee engagement in an investment banking environment in South Africa which is crucial for the sustainability of the organisation. In the present study, the main research objectives and hypotheses were formulated to examine ethical leadership and interpersonal trust in the immediate manager as possible influences of employee engagement.

This study does not infer that employee engagement (dependent variable) can only be examined through the two independent variables of ethical leadership and interpersonal trust in the immediate manager, as examined in the two hypotheses. An ethical manager treats employees fairly and takes into account the employee's well-being when making decisions which creates trust in the manager. The combination of both an ethical manager and trust in the manager should result in employee engagement (Cheng, Chang, Kuo, & Cheung, 2014). In today's highly complex and fast changing global business environment, organisations are searching for factors which contribute to greater employee engagement. Such a competitive advantage is crucial in the South African investment banking environment.

3.2 Relationship between ethical leadership and employee engagement

Several academic studies have shown a positive relationship between ethical leadership and employee engagement (Den Hartog & Belschak, 2012; Macey, Schneider, Barbera, & Young, 2009). When immediate managers are perceived as unethical (i.e. lack of integrity, fairness and consistency) and untrustworthy, employees become disengaged. Provided a manager is perceived as consistently fair and acting with integrity in all actions, such ethical leadership promotes an effective working relationship between immediate managers and their employees and should promote increased engagement. Piccolo et al. (2010) indicate that managers who are ethical, assist to make work more significant and meaningful to employees. As a result, they are able to positively influence

employees' dedication, effort and persistence to overcome challenges at work. Macey and Schneider (2008) lend support to this argument and advocate that when employees have challenging work and autonomy in their work, coupled with a manager who acts ethically and makes fair and principled decisions, they should be more engaged and therefore produce better results. Den Hartog and Belschak (2012) determined that when employees believe that their manager is ethical and provides autonomy and shows fairness and concern for their well-being, this tends to have a positive impact on employees' engagement such as vigour, dedication and absorption at work. As a result, ethical leaders, through promoting employee engagement, positively influence employees to achieve both their personal and organisational goals (Bedi et al., 2015).

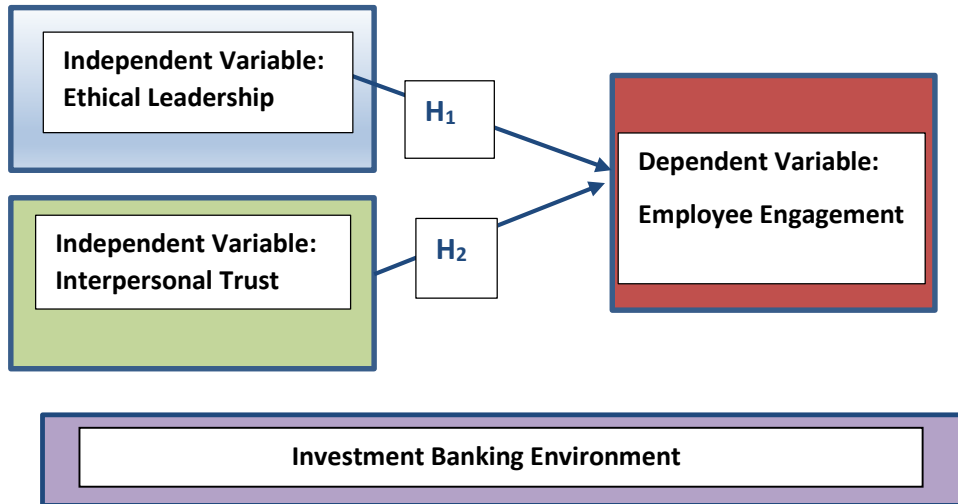
Given the demanding and high-pressure environment of investment banking, it is easy for employees to be burnt out and become disengaged. Disengaged employees could result in high potential losses and lost opportunities, given the large transactional values involved in investment banking. Having engaged employees is therefore vital in an investment banking environment and ethical leadership can greatly assist in achieving such outcomes. This should provide the investment bank with a competitive advantage in today's challenging economic environment. There has been no academic and empirical research on the role of ethical leadership on employee engagement in a South African investment banking environment.

3.3 Relationship between interpersonal trust and employee engagement

This study examined the relationship between interpersonal trust and individual employee engagement (Zhu et al., 2013). Studies have shown that the development of trust between employees and managers are crucial for employees to become more engaged at work (Macey & Schneider, 2008). Similarly, employees expect that their immediate manager will take into account their effort and commitment when deciding on promotions and bonus allocations. Ruiz-Palomino et al. (2013) indicate that if employees believe that their immediate manager acts fairly and with integrity, they would accept that their annual remuneration increase and bonus allocations are fair. In investment banking, annual performance bonuses are an important transactional reward. When employees perceive that their immediate manager can be trusted to reward them fairly for their effort, they are likely to become engaged (Saks, 2006).

On the other hand, when employees have less trust, they may perceive that such decisions are unfair, which could result in less effort and disengagement (Dirks & Ferrin, 2002). The two hypotheses that were formulated in this study are presented in Figure 1 below.

Figure 1: Research Hypothesis



3.4 Research objective one and Hypothesis one

To determine the relationship between ethical leadership of the immediate manager and employee engagement in an investment banking environment in South Africa.

Hypothesis one: Ethical leadership and employee engagement

- **H₀1:** No significant relationship exists between ethical leadership and employee engagement in an investment banking environment in South Africa.
- **H₁1:** A significant relationship exists between ethical leadership and employee engagement in an investment banking environment in South Africa.

3.5 Research objective two and Hypothesis two

To determine the relationship between interpersonal trust in the immediate manager and employee engagement in an investment banking environment.

Hypothesis two: Interpersonal trust and employee engagement

- **H₀1:** No significant relationship exists between interpersonal trust and employee engagement in an investment banking environment in South Africa.
- **H₁1:** A significant relationship exists between interpersonal trust and employee engagement in an investment banking environment in South Africa.

The two proposed hypotheses were tested using standard multiple regression using IMB's SPSS commercial statistical package.

3.6 Chapter conclusion

Two hypotheses were identified to analyse the relationship between the respective constructs. The research methodology used to test the hypotheses is discussed in the next chapter.

Chapter 4: Research methodology

4.1 Introduction

This chapter presents the research methodology used in this study. The following sections are covered: research design, rationale for the research methodology, population and unit of analysis, sampling method and size, data collection process, pilot survey, validity and reliability of the three measurement scales used to examine the three constructs, standard multiple regression assumptions and finally, the limitations of the study are highlighted.

4.2 Rationale for the research design

The researcher used an explanatory, deductive methodology to derive the hypotheses in Chapter Three which was based on the academic theory outlined in Chapter Two and a quantitative method was used to answer the two research objectives and hypotheses (Creswell, 2012). Standard multiple regression was used to examine the relationship between two independent variables, ethical leadership and interpersonal trust and one dependent variable, employee engagement. A survey questionnaire, using standardised questionnaires with Likert scales, obtained from previous research published in key academic journals, was used as the basis to answer the research hypotheses.

4.3 Population and unit of analysis

The population and unit analysis included all employees within the investment banking division of a large South African financial services organisation (Creswell, 2012). The researcher was able to obtain a complete list of all the members of the population from the Human Capital division. The population was comprised of 227 employees from a single, large financial services company and therefore the population was also the sampling frame (Tharenou, Donohue, & Cooper, 2007). The different business units within the investment banking division included: Corporate Finance (M&A), Diversified Lending and Leverage (DLL), Equity Capital Markets (ECM), Mining and Metals (M&M), Real Estate Finance (REF), Debt Primary Markets (DPM), Business Development, Compliance, Legal and Principle and Structured Finance. In order to ensure the anonymity of respondents, the respondents were not required to divulge their respective

business units as this would have made it easy to identify respondents based on the survey results. Due to the small size of the population, the sample and unit of analysis were all full-time employees working in the investment banking division.

4.4 Sampling method and size

The study made use of probability sampling as the researcher was able to obtain a complete list of all the full time investment banking employees at the time of the study (Zikmund, Babin, Carr, & Griffin, 2013). Formal written permission from the investment banking division of a large South African financial services company to carry out the web based online survey was requested and approved by the authorised individual in the organisation. Following the formal written approval, the investment banking human capital department provided the researcher with access to the complete emailing list of all the investment banking employees which was the sampling frame. The rationale for sampling the full investment banking population was due to the relatively small size of the population (227 full-time employees) and considering the risk of a lower response rate which usually results from an organisational online survey, it was a more prudent approach. To avoid sampling error by targeting only a subset of the population of investment banking employees, all full-time employees working in the investment banking division were invited to participate in the study. In order to test the overall multiple regression model fit and ensure that the sample can be generalised to the population, the minimum sample size required for two independent variables was $104 + k$ (Field, 2009). As this study examined two independent variables (ethical leadership and interpersonal trust) the researcher therefore required a minimum sample size of $104 + 2 = 106$ respondents. The study received a total sample size of 114 complete responses, after the pilot study was conducted, out of 222 (51.58%) which met the minimum sample size requirements required to run standard multiple regression.

4.5 Data collection process

In this study, an online web based survey questionnaire using Typeform was used obtain to the data over a six-week period in the investment banking division of a large South African financial services organisation (Tharenou et al., 2007). The Typeform survey was distributed via email to all the investment banking employees across the various business units in the organisation. The Typeform survey was specifically chosen

because the large financial services organisation in which the survey was conducted blocked other survey platforms such as Survey Monkey and Google Forms. As a result, the researcher had to purchase the Typeform survey and test that this worked in the organisation's internet platform before the survey could be emailed to the rest of the investment banking division.

The survey incorporated three sections namely, introduction, biographical data and the survey questions examining ethical leadership, interpersonal trust and employee engagement. The introduction section provided the following information: a brief description of the study, the purpose of the study, that participation was voluntary, reassurance that all data was anonymous and the contact details of the researcher and the supervisor. The demographic section examined gender, race and tenure working under the current immediate manager and was used to provide descriptive statistics in the overall analysis. Due to the nature of the survey design and the Typeform format of the questionnaire, all questions were answered. As a result, the researcher did not have a problem of missing data and had 100% completed data sets for all of the 114 responses. A standard multiple regression model was then used to statistically test the two hypotheses.

The web based survey method was chosen mainly due to the time constraints within which to complete the study (Tharenou et al., 2007). A further benefit was that it allowed the data to be downloaded into Excel which could be easily cleaned before inputting into the SPSS statistical model for analysis. As such, it allowed the researcher the benefit of not having to manually capture and collate the data which could result in data errors. However, a key limitation of this approach was that the researcher required the permission from the organisation to conduct the study. Due to the size of the organisation, the request itself took almost five months to be approved by the authorised signatory. The main reason that this approval took so long was because the investment banking human capital partner did not know who the correct person to authorise the collection of data and survey in the organisation was. Once this formal approval was granted, the researcher requested and was granted the complete list of email addresses of all the investment banking employees from the human capital division which comprised of 227 full-time employees.

Prior to ethical clearance being granted, the researcher set up meetings with various teams, four weeks in advance to discuss and prep the teams and individuals that the survey was going to be sent as soon as ethical clearance was granted (Creswell, 2012). In this way, the researcher was able to generate awareness and obtain support for the survey, prior to formal data collection. The researcher also encouraged participation through ensuring that he had the support of key sponsors such as business unit heads and executives who were able to influence individuals to participate in the survey. The reason for this is that the researcher was aware that in the busy investment banking environment, people would not respond and would ignore and delete requests to complete such surveys.

All data collected during the data collection process was anonymous and confidential (Creswell, 2012; Tharenou et al., 2007). The cut-off date for respondents to complete the web based survey was six weeks from date of receipt of the email. Email reminders were sent at the end of each week to encourage respondents to finalise the survey. 114 respondents out of a total population of 222 individuals (after the pilot study was conducted) successfully completed the survey. The 51 per cent respondent response rate was higher than the average of 35.7 per cent of respondents who participate in survey questionnaires collected in organisations (Creswell, 2012).

4.6 Pilot survey

Before emailing the link to the survey questions to all respondents, the researcher first pilot tested the survey questions with five employees from five different business units within the investment banking division, after ethical clearance was approved by the GIBS Research Ethics Committee (Creswell, 2012; Tharenou et al., 2007). The pilot test was undertaken to determine whether the respondents in the sample clearly understood all the questions and were then able to accurately record their responses (Creswell, 2012). All five respondents in the pilot test confirmed that the survey questions and instructions were clear, unambiguous, easy to understand and that they could answer the questions accurately. However, the results from the pilot study revealed that the employee engagement scale (dependent variable) was missing the middle item in the scale i.e “Sometimes (a few times a week)” in the list of potential options to answer. As a result, the researcher corrected the survey and included the missing item which would have skewed the normal distribution. After the pilot study was concluded, the five respondents

were removed from the population before the questionnaire was emailed to the new total population comprising 222 individuals (i.e. 227 – 5).

4.7 Measurement scales

The researcher used measurement scales used in previous studies, which provided reliable and valid scores in similar research in other organisational contexts and in other countries and amended the instruments slightly for this study (Creswell, 2012). The survey was self-reported by respondents who evaluated their immediate manager's ethical leadership, affective trust in their immediate manager and their own engagement. The measurement scales all used Likert scales to record the responses to ethical leadership, affective trust and employee engagement which were all interval data with numeric properties (Hair, Black, Babin, & Anderson, 2010). The two independent variables, ethical leadership and interpersonal trust, both used a five-point Likert scale and the one dependent variable, employee engagement used a seven-point Likert interval scale to measure the metric data. The first four questions in the survey questionnaire included demographic questions and the other 24 questions out of the total of 28 questions in the survey measured ethical leadership, interpersonal trust and employee engagement. The key advantages of using standardised self-reporting measurement scales was that they were simple to use, as confirmed by the pilot study, and did not involve any additional costs for the researcher.

4.7.1 Ethical leadership scale

Ethical leadership was measured using the ethical leadership scale which is a ten item scale that determines whether a manager makes fair and ethical decisions and acts as a suitable role model for employees to follow (Bedi et al., 2015; Brown et al., 2005). Sample items include: My immediate manager sets an example of how to do things the right way in terms of ethics, My immediate manager discusses business ethics or values with employees (Brown et al., 2005). The survey questions related to ethical leadership measured the respondents' responses using a five-point Likert scale which is an interval scale of equal intervals among responses ranging from 1. Strongly Agree; 2. Agree; 3. Hard to Decide; 4. Disagree; 5. Strongly Disagree (Creswell, 2012; Zikmund et al., 2013).

4.7.2 Interpersonal trust scale

In this study, interpersonal trust combined both affective trust and cognitive trust. Affective trust was measured using a five-item affective scale. Sample items of affective trust are: I'm confident that my immediate manager will always care about my personal needs at work, I feel secure with my immediate manager because of his/her sincerity (Yang & Mossholder, 2010; Yang et al., 2009). Cognitive trust was measured using a five-item cognitive trust scale. Sample items of cognitive trust are: I can depend on my immediate manager to meet his/her responsibilities, This person approaches his/her job with professionalism and dedication (Yang & Mossholder, 2010; Yang et al., 2009). This model of trust assessment was chosen as it has been validated in several studies and is directly applicable when assessing the immediate manager's trust as opposed to senior executive manager's trust which other trust instruments measure. The survey questions related to interpersonal trust measured the respondents' responses using a similar five-point Likert scale as ethical leadership.

4.7.3 Employee engagement scale

Employee engagement was measured using the shorter nine item Utrecht Work Engagement Scale (Schaufeli et al., 2006), which measured the three variables of work engagement namely vigour, dedication and absorption. Sample items included: When I get up in the morning, I feel like going to work', 'I am immersed in my work, and I am enthusiastic about my job (Schaufeli et al., 2006). Employee engagement was measured using a seven-point Likert scale ranging from 1. Never; 2. Almost never (a few times a year or less); 3. Rarely (once a month or less); 4. Sometimes (a few times a week); 5. Often (once a week); 6. Very often (a few times a week); 7. Always (every day) (Creswell, 2012; Zikmund et al., 2013).

4.8 Data analysis

According to Zikmund et al. (2013), once the data has been collected, the raw data must first be edited (checking for missing data and outliers) and then coded into a format that can be inputted into a statistical programme. The researcher used a codebook to label and number each of the variables. The codebook for this study can be viewed in Appendix B. The demographic variables of age, gender, race and tenure were coded as

nominal-scale categorical data. Age was coded as follows: below 25 as one, between 25 – 30 as two, between 31 – 35 as three, between 35 and 40 as four and 41 and above as five. Tenure was coded as nominal-scale data as follows: between 0 – 3 years as one, between 4 – 6 years as two, between 7 – 9 years as three and with a tenure of 10 years or more as four. Missing data reduces the sample size and could result in errors in statistical tests (Tharenou et al., 2007). In this study, the survey questionnaire was easy to understand and complete. The design of the Typeform web based survey ensured that all 114 respondents completed and answered all 33 questions in the survey without missing or ignoring any of the questions. As a result, missing data, where valid values on one or more variables are not available for analysis and which is common in survey designs was not a problem in this study (Hair et al., 2010). The key advantage of achieving a 100 per cent completion of all 33 questions was that the researcher did not have to perform any additional missing data analysis or statistical remedies to correct for missing values.

The researcher also examined the data for any outliers which are observations with a value that differs substantially from the main trend of the data (Field, 2009; Hair et al., 2010). When using multiple regression, outliers can cause the model to be biased because they affect the values of the estimated regression coefficients (Field, 2009). According to Field (2009), if the sample data for the model has standardised residuals greater than three, this implies that the level of error within the model is high. A standardised residual cut off value of three and the Malanhobis distance were used to detect and remove any outliers in this study (Field, 2009). Only one outlier was identified in this study. As this one response was different from the majority of the sample, the researcher opted to delete this outlier as part of the overall sample on which the statistical analysis was conducted (Hair et al., 2010). The minimum standardised residual in the sample following the removal of the outlier was -2.5 and the maximum standardised residual was +2.2 which was within the cut-off value of three (Field, 2009). There were no further violations of outliers in the standard multiple regression analysis (Pallant, 2005). The scatterplot of the standardised residuals following the removal of the one outlier as per Appendix C indicates that the residuals are roughly rectangular distributed and no residuals are curvilinear which supports that there was no violation of the regression assumptions.

The measuring scales all used Likert scales to record the responses to the two independent variables, ethical leadership and interpersonal trust and the one dependent variable, employee engagement. This continuous data was coded as interval data with numeric properties. The advantage of using a Likert interval scale for all three constructs was that standard multiple regression analysis could be conducted on the data collected (Zikmund et al., 2013). The total overall score of all the questions relating to ethical leadership, affective trust and employee engagement were calculated. All the respective measuring instruments and survey questions were positively worded. As a result, it was not necessary for the researcher to reverse code any of the questions used in the survey.

4.9 Validity and reliability

An important part of empirical research is to minimise the measurement error and to maximise the validity and reliability of measurement scales (Field, 2009). The researcher therefore conducted statistical tests to determine whether the three measurement scales were both valid and reliable in order to be confident about the conclusions drawn from multiple regression statistical analysis. Validity aims to measure whether a scale actually measures what it sets out to measure (Field, 2009). Exploratory factor analysis using principle components analysis was performed to check the validity of the three measurement scales. The main reason for using exploratory factor analysis was that the scales were not previously used in the context of an investment banking environment in South Africa which has its own unique context and culture (Costello & Osborne, 2005; Storm & Rothmann, 2003; Yong & Pearce, 2013).

The researcher inspected the correlation matrix table for evidence of coefficients greater than 0.3 (Pallant, 2005). In this study, there were a large number of correlations above 0.3 for all three measure scales which implied that principle components analysis was appropriate. The Kaiser–Meyer–Olkin (KMO) and the Barlett’s test of sphericity was conducted to test the both the validity and factorability of all three measurements scales (Pallant, 2005). According to Hair et al. (2010, p. 647) “KMO values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great and values above 0.9 are superb”. The Barlett’s test of sphericity was conducted to determine the statistical significance that the correlation matrix had significant correlations with the value of Sig $p < 0.05$ among the variables (Hair et al., 2010). The results from this study provided KMO values all above

0.7 and Barlett test of sphericity values that were significant for all three measurement scales which are discussed in detail in Chapter Five.

Reliability is the ability of the measure to produce the same results under the same conditions (Field, 2009). Reliability must be tested each time a measurement instrument or scale is used, in order to examine the scores of reliability for a particular sample (Tharenou et al., 2007). The Cronbach alpha is an important reliability measure to use in survey questionnaires as it is a measure of the internal consistency and verifies whether the questions are measuring the same construct (Creswell, 2012; Zikmund et al., 2013). The Cronbach alpha coefficients for all the three scales and constructs were above 0.7, indicating reliability (Pallant, 2005). The detailed results are discussed in Chapter Five.

4.10 Standard multiple regression to test the hypotheses

The researcher used standard multiple regression, at a 95% confidence interval, to examine the two hypotheses. A Sig $p < 0.05$ was used to determine the significance of the results of the two hypotheses tested in this study. Hypothesis one was to examine the relationship between ethical leadership of the immediate manager and employee engagement in an investment banking environment in South Africa. Hypothesis two was to examine the relationship between interpersonal trust in the immediate manager and employee engagement in an investment banking environment in South Africa.

4.11 Multiple regression assumptions

In order to make conclusions about a population based on a multiple regression analysis undertaken on a sample, several key assumptions must be first met (Field, 2009). Violations of the assumptions could cause non-significance results resulting in the research findings not being generalised beyond the sample (Field, 2009; Hair et al, 2010).

- **Multicollinearity:** According to Field (2009), the independent variables should not be perfectly linear. Tolerance values greater than 0.10 and VIF values less than ten indicate that there is no multicollinearity and therefore there is no need for the

researcher to employ any remedies for multicollinearity (Hair et al., 2010). The details of the test for multicollinearity are discussed in Chapter Five.

- Normally distributed: Multivariate normality is the assumption that all the variables are normally distributed indicating that there were no violations of the assumptions (Tharenou et al., 2007). The histogram, as per Appendix C, indicated a normally distributed symmetrical bell-shaped curved graph.
- Homoscedasticity: This refers to the assumption that the dependent variable (employee engagement) has an equal variance in the independent variables (Hair et al., 2010). In this study, the assumption of homoscedasticity was met.
- Linearity: In this study, the assumption of linearity was met as the mean value of the dependent variable appears along a linear line (Field, 2009). The normal probability scatterplot between the variables, as per Appendix C, indicate that a linear relationship existed and the scatterplot did not deviate from a straight line relationship (Hair et al., 2010).

4.12 Limitations of the study

Firstly, this study was conducted in an investment banking environment in South Africa which is very hierarchical in organisational structure and which could have affected the results. Future studies should examine the impact of ethical leadership and interpersonal trust in less hierarchical organisational environments. Secondly, due to the limited time within which to complete the research, a cross-sectional design was used to collect the data at one specific point in time within the investment banking division of a single large South African financial services organisation. The organisation has its own unique culture and way of doing business and therefore the results of the study only provide correlations. As a result, the results from this sample cannot be generalised across other organisations or other investment banking divisions which may have totally different cultures and ways of doing business. Thirdly, this study only examined ethical leadership and not other leadership styles. Fourthly, standard multiple regression, which as used in previous studies, was used to statistically examine the relationship between the constructs. Fifthly, the researcher used self-reporting measurement instruments to examine employee perceptions of the three constructs in this study. A key disadvantage of using self-reporting measuring scales was that common method bias could be inflating

the relationships between the variables leading to erroneous conclusions of any significant relationships between the variables (Avey et al., 2010). As a result, future studies should collect survey data from senior managers or peers rather than directly from the employees themselves in order to limit any potential self-report bias whereby respondents provide a favourable image of their own engagement levels (Xu et al., 2016).

4.13 Chapter conclusion

The chapter provided a detailed description of the methodology which the researcher used in this study. Survey questionnaires were collected using standardised measurement scales to examine respondents' perceptions of ethical leadership of their immediate manager, interpersonal trust in their immediate manager and employee engagement. Validity and reliability for all three measurement scales used to examine the three constructs was conducted. Validity was tested through the Kaiser Meyer Olkin (KMO) and reliability was tested through the Barlett's test of sphericity which provided the Cronbach's alpha coefficient. The next chapter provides the results of the statistical analysis conducted in this study.

Chapter 5: Results

5.1 Introduction

The purpose of this study was to examine the relationship between two continuous independent variables, ethical leadership and interpersonal trust in the immediate manager and a single dependent continuous variable, employee engagement in an investment banking environment in South Africa. This chapter presents the results of the study in the following order: descriptive statistics, validity and reliability tests of the three measurement scales used to examine the three constructs, and finally, the multiple regression results of the two research questions and hypotheses are presented separately.

5.2 Descriptive statistics

The survey questionnaire was sent to a total population of 222 full-time investment banking employees within a single large South African financial services organisation. The total number of respondents, after one outlier was excluded, was 113. This accounted for a 51.35% response rate. Table 1 below indicates that the mean age was between 35 years old and 36 years old, the mean tenure (length of service working under the immediate manager) was between three to four years. Table 2 below indicates that the mean score for ethical leadership, interpersonal trust and employee engagement was 3.66, 3.69 and 5.06 respectively. The descriptive statistics for all three constructs and variables are found in Appendix E.

Table 1: Demographic variables descriptive statistics

	N	Range	Minimum	Maximum	Sum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
Gender	113	1	1	2	171	1.51	.047	.502	.252
Age	113	33	24	57	4051	35.85	.676	7.190	51.700
Race	113	4	1	5	318	2.81	.119	1.265	1.599
Length of service	113	23.80	.20	24.00	427.65	3.7845	.33126	3.52130	12.400

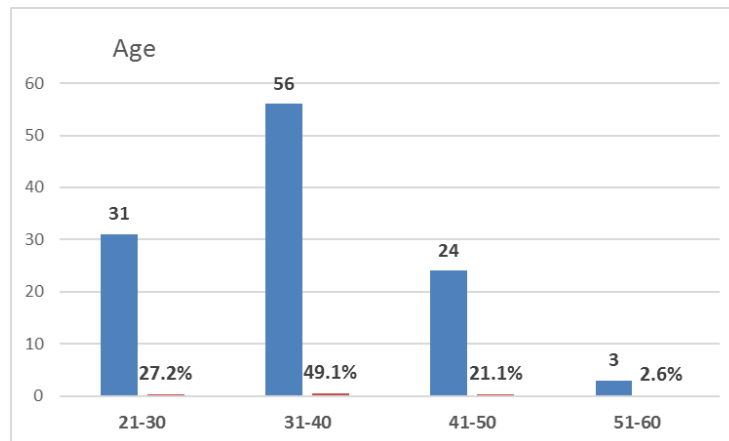
Table 2: Descriptive statistics summary of the three constructs

	Mean	Std. Deviation	N
AVG_TOT_EL	3.6602	.62372	113
AVG_TOT_PIT	3.6929	.74674	113
AVG_TOT_EE	5.0698	.92274	113

5.2.1 Age

Age was analysed as nominal-scaled categorical data. Figure 2 below displays the frequency distribution and percentages of the respondents' age. Respondents between the ages of 21 – 30 numbered 31 (27.2%), between 31 – 40 numbered 56 (49.1%), between 41 – 50 numbered 24 (21.1%) and between 51 – 60 numbered 3 (2.6%). There were no respondents above the age of 61.

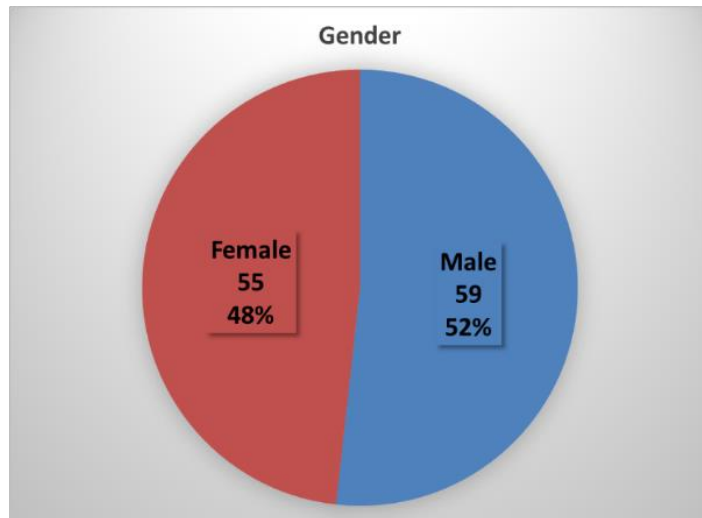
Figure 2: Age of respondents



5.2.2 Gender

Gender was analysed as nominal-scaled categorical data. Figure 3 below indicates that the majority of the sample were male, accounting for 59 (52%) and 55 (49%) were female.

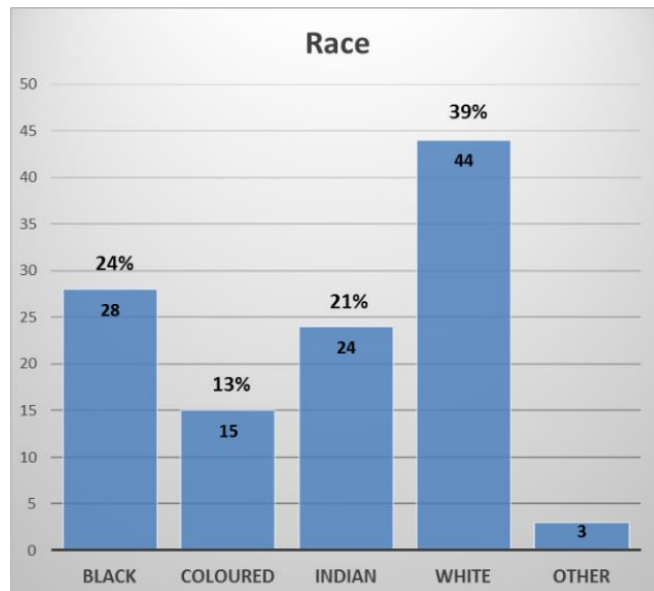
Figure 3: Gender distribution of respondents



5.2.3 Race

Figure 4 below indicates that the majority of the respondents were White, 44 (39%), followed by Black, 28 (24%), then Indian 24 (21%), followed by Coloureds 15 (13%) and finally the minority Other 3 (3%).

Figure 4: Race of respondents



5.2.4 Tenure

Table 3 below depicts the frequency of the respondents in terms of length of time working under their immediate manager. Respondents with a tenure between 0 – 3 years numbered 69 (60.5%), between 4 – 6 years numbered 23 (20.2%), between 7 – 9 years numbered 13 (11.4%) and with a tenure of 10 years or more numbered 9 (1.8%).

Table 3: Tenure distribution of respondents

Tenure	Frequency	Percent [%]
0 - 3 years	69	60.5%
4 - 6 years	23	20.2%
7 - 9 years	13	11.4%
10 - 12 years	7	6.1%
13 - 15 years	0	0.0%
16 years or more	2	1.8%
Total	114	100%

5.3 Ethical leadership scale

Ethical leadership was assessed by asking respondents to indicate their perceptions of their immediate manager relating to ten statements on a five-point Likert scale.

5.3.1 Validity of the ethical leadership scale

Inspection of the ethical leadership scale correlation matrix, as per Table 27 found in Appendix F, indicates a number of coefficients greater than the minimum threshold of 0.3 (Field, 2009). Table 4 below indicates that the Kaiser-Meyer-Olkin (KMO) value is 0.904. The KMO value for the ethical leadership scale was above 0.9 and was therefore superb (Hair et al., 2010). The Bartlett's Test of Sphericity for all the items in the ethical leadership scale yielded a p value = 0.00 and was therefore statistically significant ($p < 0.05$) supporting the factorability of the correlation matrix (Field, 2009).

Table 4: KMO and Bartlett's test for the ethical leadership scale

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.914
Bartlett's Test of Sphericity	Approx. Chi-Square	572.398
	df	45
	Sig.	.000

5.3.2 Factor analysis of the ethical leadership scale

Table 5 below, the total variance explained, indicates the ten items of the ethical leadership scale which were subjected to principal components analysis (PCA) using orthogonal varimax rotation (Pallant, 2005). The eigenvalue one rule was used to determine how many items to extract (Field, 2009). In this scale, only one component with an eigenvalue exceeding one was extracted, representing 54.328% of the total variance. No rotation was required because the results showed that all ten items or questions in the ethical leadership scale was measuring the same construct. Table 28 as per Appendix F indicates the component matrix with factor loadings ranging from 0.636 to 0.838 for each of the ten items which loaded on the one component extracted from the ethical leadership scale. The factor loadings met the minimum threshold of 0.4 and therefore all ten items were included in scale (Hair et al., 2010). The ten-item scale was therefore reduced to one item.

Table 5: Total variance explained of the ethical leadership scale

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.433	54.328	54.328	5.433	54.328	54.328
2	.904	9.036	63.365			
3	.728	7.276	70.641			
4	.698	6.985	77.626			
5	.545	5.454	83.080			
6	.478	4.781	87.861			
7	.405	4.049	91.910			
8	.331	3.312	95.222			
9	.257	2.569	97.792			
10	.221	2.208	100.000			

Extraction Method: Principal Component Analysis.

5.3.3 Reliability of the ethical leadership scale

Table 6 below provides the corrected item-total statistics for the 10-item ethical leadership scale which indicates the degree to which each item correlates with the total construct score. Examining the individual scores indicates a low score of 0.478 for item EL2. The researcher could have deleted this item in order to increase the Cronbach alpha to 0.906 as indicated in the table. The researcher however retained the item as it did not change the underlying construct and the overall Cronbach alpha remained at 0.904.

Table 6: Corrected item-total statistics for the ethical leadership scale

Item-Total Statistics			
		Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
EL1	My immediate manager listens to what employees have to say.	.659	.895
EL2	My immediate manager disciplines employees who violate ethical standards.	.465	.906
EL3	My immediate manager conducts his/her personal life in an ethical manner.	.588	.899
EL4	My immediate manager has the best interest of employees in mind.	.780	.887
EL5	My immediate manager makes fair and balanced decisions.	.742	.890
EL6	My immediate manager can be trusted.	.747	.889
EL7	My immediate manager discusses business ethics or values with employees.	.560	.901
EL8	My immediate manager sets an example of how to do things the right way in terms of ethics.	.709	.892
EL9	My immediate manager defines success not just by results but also by the way they are obtained.	.666	.895
EL10	My immediate manager when making decisions, asks "what is the right thing to do?"	.689	.893

Brown, M. E., Trevino, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes*, 97(2), 117–134.

Table 7 below indicates that the Cronbach's alpha for the ten items in the ethical leadership scale was 0.904. Previous academic studies by Mayer et al. (2012) and Den Hartog and Belschak (2012) had a Cronbach's alpha of 0.96 and 0.910 respectively. The high Cronbach alpha indicates a high level of internal consistency and reliability between all ten items of the ethical leadership and was in line with previous studies (Pallant, 2005). As a result, the ethical leadership (EL) was retained and the ten items in this scale were reduced to one item. No rotation was possible as all the items loaded on one component.

Table 7: Reliability statistics for the ethical leadership scale

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.904	.904	10

5.4 Interpersonal trust scale

The interpersonal trust scale which combined both affective trust and cognitive trust was examined by asking respondents to indicate their perceptions of their immediate manager relating to ten statements on a five-point Likert scale.

5.4.1 Validity of the interpersonal trust scale

The correlation matrix as per Table 29 found in Appendix G indicates a number of coefficients greater than the minimum threshold of 0.3 (Pallant, 2005). Table 8 below indicates that the Kaiser-Meyer-Olkin (KMO) value is 0.889. The KMO value for this scale was between 0.8 and 0.9 (Hair et al., 2010). The Bartlett's Test of Sphericity for the ten items in the interpersonal trust scale yielded a p value = 0.00 which was less than 0.05 ($p < .05$) and was therefore statistically significant (Field, 2009).

Table 8: KMO and Bartlett's Test for the interpersonal trust scale

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.889
Bartlett's Test of Sphericity	Approx. Chi-Square	936.124
	df	45
	Sig.	.000

5.4.2 Factor analysis of the interpersonal trust scale

Table 9 below indicates the total variances explained by the ten items included in the interpersonal trust scale (Pallant, 2005). In this scale, two components with an eigenvalue exceeding one was extracted representing 76.078% of the total variance. The results showed that the ten items in the interpersonal trust scale was measuring the two sub-scales, affective trust and cognitive trust and therefore loaded on two components. Component one explained 63.98 per cent of the total variance and component two explained 12.08 per cent of the total variance of the interpersonal trust. The researcher therefore decided to retain the two components for further investigation. The component matrix as per Table 30 found in Appendix G indicates that all the factor loadings on the two factors were above 0.4 and were therefore retained.

Table 9: Total variance explained of the interpersonal trust scale

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.399	63.989	63.989	6.399	63.989	63.989	3.936	39.357	39.357
2	1.209	12.088	76.078	1.209	12.088	76.078	3.672	36.720	76.078
3	.660	6.599	82.677						
4	.411	4.107	86.784						
5	.333	3.334	90.117						
6	.292	2.922	93.040						
7	.229	2.289	95.329						
8	.179	1.786	97.115						
9	.166	1.662	98.777						
10	.122	1.223	100.000						

Extraction Method: Principal Component Analysis.

5.4.3 Reliability of the interpersonal trust scale

Table 10 below provides the rotated factor matrix for the ten-item interpersonal trust scale. The rotated factor analysis on the interpersonal trust scale indicates that there are two distinct sub-scales. This makes sense as the interpersonal trust scale combined both affective trust and cognitive trust into one overall trust measure. Items "TA 2, TA 5 and TC 3" has cross loadings and the highest score was used to determine to which sub-scale to allocate the item. The first sub-scale, consisted of individual items TA one to five which the researcher renamed "Affective Trust" as the items related to affective trust. The analysis found that no items or questions should be removed to improve the new affective scale. The second factor identified consisted of individual items TC one to five which the researcher renamed "Cognitive Trust" as the items related to cognitive trust. As a result of the analysis, the combined ten items for the Interpersonal trust scale were reduced to two items measuring affective trust and cognitive trust.

Table 10: Rotated component matrix of the interpersonal trust scale

	Component	Component	
		1	2
TA3	I'm confident that I could share my work difficulties with my immediate manager.	.880	
TA4	I'm sure I could openly communicate my feelings to my immediate manager.	.864	
TA1	I'm confident that my immediate manager will always care about my personal needs at work.	.860	
TA5	I feel secure with my immediate manager because of his/her sincerity.	.805	.411
TA2	If I shared my problems with my immediate manager, I know (s)he would respond with care.	.693	.449
TC5	I'm confident in my immediate manager because (s)he approaches work with professionalism.		.855
TC4	Given my immediate manager's track record, I see no reason to doubt his/her competence.		.853
TC2	I can rely on my immediate manager to do what is best at work.		.784
TC1	I can depend on my immediate manager to meet his/her responsibilities.		.748
TC3	My immediate manager follows through with commitments he/she makes.	.436	.662

Yang, J., & Mossholder, K. W. (2010). Examining the effects of trust in leaders: A bases-and-foci approach. *Leadership Quarterly*, 21(1), 50–63.

Table 11 below provides the item-total statistics for the new five-item “Cognitive Trust” scale. The researcher retained all five items as the scores were above 0.7.

Table 11: Item-total statistics for the new cognitive trust scale

Item-Total Statistics		
	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
TC1 I can depend on my immediate manager to meet his/her responsibilities”.	.731	.884
TC2 I can rely on my immediate manager to do what is best at work”.	.796	.869
TC3 My immediate manager follows through with commitments he/she makes.	.710	.888
TC4 Given my immediate manager’s track record, I see no reason to doubt his/her competence.	.767	.875
TC5 I'm confident in my immediate manager because (s)he approaches work with professionalism.	.767	.877

Table 12 below indicates that the Cronbach alpha coefficient for the new “Cognitive Trust” scale in this study was 0.900 which reflects a high reliability of the new sub scale.

Table 12: Cronbach alpha for the new cognitive trust scale

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.900	.902	5

Table 13 below provides the item-total statistics for the new five-item “Affective Trust” scale. All the individual scores were above 0.7 and the researcher retained all the items in this new scale. Table 14 below indicates that the Cronbach alpha coefficient for the affective trust scale was 0.934 which reflects a high reliability of the new scale.

Table 13: Item-total statistics for the new affective trust scale

Item-Total Statistics			
		Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
TA1	I'm confident that my immediate manager will always care about my personal needs at work.	.846	.915
TA2	If I shared my problems with my immediate manager, I know (s)he would respond with care".	.756	.932
TA3	I'm confident that I could share my work difficulties with my immediate manager.	.826	.919
TA4	I'm sure I could openly communicate my feelings to my immediate manager.	.845	.916
TA5	I feel secure with my immediate manager because of his/her sincerity.	.855	.914

Table 14: Cronbach alpha for the affective trust scale

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.934	.934	5

5.5 Employee engagement scale

Employee engagement was examined by asking respondents to indicate their own self-engagement relating to nine statements on a seven-point Likert scale.

5.5.1 Validity of the employee engagement scale

Inspection of the correlation matrix as per Table 31 in Appendix H indicates a number of coefficients greater than the minimum threshold of 0.3 for all nine items of the employee engagement scale (Pallant, 2005). Table 15 below indicates that the Kaiser-Meyer-Oklin (KMO) value is 0.876 (Hair et al., 2010). The Barlett's Test of Sphericity yielded a Sig p value of 0.00 which is less than 0.05 ($p < 0.05$) and was therefore statistically significant (Field, 2009).

Table 15: KMO and Bartlett's test for the employee engagement scale

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.876
Bartlett's Test of Sphericity	Approx. Chi-Square	775.449
	df	36
	Sig.	.000

5.5.2 Factor analysis of the employee engagement scale

The total variances explained, as indicated by Table 16 below, indicates the nine items of the employee engagement scale. In this scale, two components with an eigenvalue exceeding one was extracted, representing 75.079% of the total variance. The results showed that the nine items in the employee engagement scale loaded on two components. Component one explained 61.376 per cent of the total variance and component two explained 13.703 per cent of the total variance of employee engagement. The researcher therefore decided to retain the two components for further investigation. The component matrix as per Table 32 found in Appendix H, indicates the factor loadings ranging from 0.410 to 0.907 for each of the items on the two factors extracted. All loadings above 0.4 and were retained.

Table 16: Total variance explained for the employee engagement scale

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.524	61.376	61.376	5.524	61.376	61.376	4.214	46.820	46.820
2	1.233	13.703	75.079	1.233	13.703	75.079	2.543	28.259	75.079
3	.611	6.784	81.863						
4	.454	5.048	86.911						
5	.391	4.339	91.250						
6	.323	3.592	94.842						
7	.208	2.312	97.154						
8	.158	1.754	98.908						
9	.098	1.092	100.000						

Extraction Method: Principal Component Analysis.

5.5.3 Reliability of the employee engagement scale

Table 17 below provides the rotated factor matrix for the nine-item employee engagement scale. The rotated factor analysis on employee engagement indicates that there are two clear distinct sub-scales. This makes sense as the employee engagement

combined three sub-scales of vigour, absorption and dedication. The researcher used the higher score on item “EE6” which had a cross loading. The first factor consisted of individual items EE one to five which the researcher renamed “physical engagement”. The second factor identified consisted of individual items EE six to nine which the researcher renamed “emotional engagement”. As a result of the analysis, the combined nine items or questions for the employee engagement scale were reduced to two items or questions measuring across all three sub-scales of vigour, absorption and dedication.

Table 17: Rotated component matrix for the employee engagement scale

		Component	
		1	2
EE3	I am enthusiastic about my job.	.899	
EE1	At my work, I feel bursting with energy.	.873	
EE2	At my job, I feel strong and vigorous.	.872	
EE4	My job inspires me.	.845	
EE5	When I get up in the morning, I feel like going to work.	.797	
EE9	I get carried away when I'm working.		.801
EE7	I am proud of the work that I do.		.781
EE8	I am immersed in my work.		.752
EE6	I feel happy when I am working intensely.	.505	.611

Schaufeli, W. B., Bakker, A. B., & Salanova, M. (2006). The Measurement of work engagement with a short questionnaire: A cross-national study. *Educational and Psychological Measurement*, 66(4), 701–716.

Table 18 below provides the item-total statistics for component one which loaded on items EE1, EE2, EE3, EE4, EE5 which was renamed “physical engagement”.

Table 18: Item-total statistics for the physical engagement scale

		Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
EE1	At my work, I feel bursting with energy.	.836	.921
EE2	At my job, I feel strong and vigorous.	.809	.926
EE3	I am enthusiastic about my job.	.889	.912
EE4	My job inspires me.	.871	.915
EE5	When I get up in the morning, I feel like going to work.	.780	.937

Table 19 below indicates that the Cronbach alpha coefficient for the renamed item “physical engagement”) was 0.937 which indicates a high reliability. A previous academic study which used the same employee engagement scale with all nine items had a Cronbach’s alpha of 0.920 (Den Hartog & Belschak, 2012).

Table 19: Cronbach Alpha for the physical engagement scale

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.937	.940	5

Table 20 below provides the item-total statistics for loadings on the second component which comprised items EE6, EE7, EE8, EE9 (“emotional engagement”). Item EE9 had a low score of 0.490 and was deleted. The Cronbach’s alpha was retested excluding the deleted item EE9.

Table 20: Item statistics for emotional engagement

	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
EE6 I feel happy when I am working intensely.	.621	.761
EE7 I am proud of the work that I do.	.724	.715
EE8 I am immersed in my work.	.701	.724
EE9 I get carried away when I'm working.	.490	.836

Table 21 below indicates that the Cronbach alpha coefficient for the three items EE6, EE7 and EE8 (“emotional engagement”) was 0.836 which indicates a good reliability.

Table 21: Cronbach Alpha for the emotional engagement scale

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.836	.837	3

The purpose of factor analysis was to simplify the large number of items or questions into a few (Costello & Osborne, 2005). From the factor analysis in the form of principle components analysis, the 29 questions for the three measurement scales was simplified to five items or questions on “Ethical Leadership”, “Affective Trust”, “Cognitive Trust”, “Physical Engagement” and “Emotional Engagement”. Table 22 below indicates that the mean, standard deviation, number of respondents and Cronbach alphas for all the items for all three constructs which were reduced to five items which were included in the final analysis.

Table 22: Mean, SD, Cronbach alpha and Pearson correlation across constructs

	Variables	Mean	SD	N	Cronbach's Alpha	Pearson's correlations
1	EL - Ethical Leadership	3.66	0.85	113	0.904	0.359**
	Interpersonal Trust					0.315**
2	TA - Affective Trust	3.53	0.96	113	0.934	
3	TC - Cognitive Trust	3.86	0.90	113	0.900	
	Employee Engagement					1
4	EE - Physical Engagement	4.84	1.21	113	0.937	
5	EE - Emotional Engagement	5.47	1.11	113	0.836	

Notes: $p < 0.01$ **. Correlation is significant at the 0.01 level (2-tailed).

SD: Standard Deviation

The ethical leadership scale was reduced to one item and had an overall mean score of 3.66 and a Cronbach's alpha of 0.904. The interpersonal trust scale after factor rotation, indicated two components which were renamed affective trust and cognitive trust. Affective trust had a mean score of 3.53 and a Cronbach's alpha of 0.934. Cognitive trust had a higher mean score of 3.86 and a Cronbach's alpha of 0.900. Employee engagement, after factor rotation indicated two components which were renamed physical engagement and emotional engagement. Physical engagement had a mean score of 4.84 and a Cronbach's alpha of 0.937. Emotional engagement had a higher mean score of 5.47 and a Cronbach's alpha of 0.836.

Having presented the results from the validity, reliability and factor analysis, the next section discusses the standard multiple regression which was used to answer the research questions and hypothesis.

5.6 Multiple regression analysis

Standard multiple regression analysis was conducted to examine the statistical relationship between the two independent variables of ethical leadership and interpersonal trust and the dependent variable, employee engagement and to answer

the research questions and hypotheses (Pallant, 2005; Zikmund et al., 2013). In standard multiple regression, the researcher aims to determine how much the independent variables contribute to the unique variance in the dependent variable (Pallant, 2005).

There have been several previous academic studies which have used multiple regression to examine interpersonal trust and the outcomes. Yang and Mossholder (2010) used multiple regression analysis to examine interpersonal trust which comprised both affective trust and cognitive trust using the same interpersonal measurement scale used in this study. Den Hartog and Belschak, (2012) used multiple regression to examine ethical leadership and employee engagement. Similarly, Saks (2006) used multiple regression analysis to determine the antecedents and outcomes of employee engagement. Yukl et al. (2013) used multiple regression to examine a new measure of ethical leadership which was tested on Masters and MBA students in the United States. Finally, Wang and Hsieh (2013) used multiple regression analysis to study the effects of authentic leadership on trust and employee engagement in a survey conducted in Taiwan.

Type one and type two errors were avoided as the standard multiple regression met the assumptions of the minimum sample size. A minimum sample size of 66 was required and this sample was 114. Chapter Five provides evidence that there were no violations of the assumptions of multiple regression. As discussed in Chapter Four, all the assumptions of multiple regression including normality, linearity, homoscedasticity and outliers were tested and met. The data was run through IBM's SPSS statistical software tool to answer the research questions and hypotheses. The model fit was examined and was in order. The results of each research question and hypotheses are presented separately below.

5.6.1 Research objective one and Hypothesis one

To determine the relationship between ethical leadership of the immediate manager and employee engagement in an investment banking environment in South Africa.

- **H₀₁**: No significant relationship exists between ethical leadership and employee engagement in an investment banking environment in South Africa.
- **H₁₁**: A significant relationship exists between ethical leadership and employee engagement in an investment banking environment in South Africa.

The model summary, Table 23 below, provides the results of the standard multiple regression which was used to test hypothesis one and hypothesis two. The R square (R^2) indicates how much variance in employee engagement (independent variable) is explained by ethical leadership and interpersonal trust (independent variables) (Pallant, 2005). The results indicate that the model explains 0.129 or 12.9 per cent of the variance in employee engagement.

Table 23: Model summary of standard multiple regression

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.359 _a	.129	.113	.86897	.129	8.145	2	11 0	.001	2.296

a. Predictors: (Constant), AVG_TOT_PIT, AVG_TOT_EL

b. Dependent Variable: AVG_TOT_EE

The Pearson's correlations table as per Table 24 found in Appendix D shows that both the ethical leadership scale (AVG_TOT_EL) and the interpersonal trust scale (AVG_TOT_PIT) correlate with the employee engagement (0.359 and 0.315 respectively). All the variables were retained as they were above the required threshold. The analysis of variance ANOVA), as per Table 25 found in Appendix D, shows that the overall model is a fit for the data and provides a statistically significance result (Pallant, 2005). The model in this study is statistically significant as the p value = 0.001 which meets the minimum requirement of $p < 0.05$ at a 95% confidence interval.

The beta coefficients as per Table 26 found in Appendix D indicates that the tolerance for each independent variable is 0.246 which is greater than 0.10 and therefore the assumption of multicollinearity has not been violated. This is supported by the VIF value for each independent variable which is 4.060 which is well below the cut-off value of ten and therefore supports that the assumption of multicollinearity has not been violated. All variables were therefore retained in the study.

In this study, both of the independent variables have positive beta coefficients indicating positive relationships. This means that as ethical leadership increases, employee engagement increases and as interpersonal trust in the immediate manager increases, so does employee engagement (Field, 2009). The results indicate that the standardised beta coefficient (Beta) for ethical leadership is 0.349. This shows that ethical leadership is making a stronger 34.9 per cent unique variance to explaining the dependent variable, employee engagement. The ethical leadership variable has a p value of 0.05. It is not making a statistically significant ($p < 0.05$) contribution to the dependent variable, employee engagement.

Summary of the results of hypothesis one:

- The standard multiple regression coefficient of ethical leadership was not statistically significant (Beta = 0.349, $p > 0.05$).
- The statistical analysis failed to reject the null hypothesis at the 95% confidence level.

5.6.2 Research objective two and Hypothesis two

To determine the relationship between interpersonal trust in the immediate manager and employee engagement in an investment banking environment in South Africa.

- **H₀1:** No significant relationship exists between interpersonal trust and employee engagement in an investment banking environment in South Africa.
- **H₁1:** A significant relationship exists between interpersonal trust and employee engagement in an investment banking environment in South Africa.

The model summary as per Table 23 above provides the results of the standard multiple regression to test hypotheses two. The R square value is 0.12. The results indicate that the model which includes both independent variables explains 0.129 or 12.9 per cent of the variance in the dependent variable, employee engagement. The interpersonal trust variable has a p value of 0.94. It is not making a statistically significant ($p < 0.05$) contribution to the dependent variable, employee engagement. The results also indicate that the standardised beta coefficient (Beta) for interpersonal trust is 0.011. This shows that interpersonal trust is making an extremely weak 1.1 per cent unique variance to explaining the dependent variable, employee engagement, in this study.

Summary of the results of Hypothesis Two:

- The standard multiple regression coefficient of interpersonal trust was not statistically significant (Beta = 0.011, $p > 0.05$).
- The statistical analysis failed to reject the null hypothesis at the 95% confidence level.

5.7 Chapter conclusion

This chapter firstly provided the results of the assessment of the validity, reliability and factor analysis for each of the three measurement instruments used to assess the three constructs. Thereafter the assumptions of standard multiple regression analysis were analysed and the results indicated that all the assumptions were met. Thereafter, the results of the standard multiple regression analysis were presented which answered the two research questions and hypotheses. Hypothesis One which examined the relationship between ethical leadership and employee engagement was rejected. Hypothesis Two which examined the relationship between interpersonal trust and employee engagement was rejected. Overall, the results showed that the two independent variables were not a statistically significant predictor of employee engagement ($P > 0.05$) and accounted for a small amount of the variance (R Square = 12.9 per cent) in the dependent variable, employee engagement in this sample and study. Of the two independent variables, ethical leadership however accounted for the largest unique contribution to the dependent variable (Beta = 0.349). Chapter Six discusses the results of this study in relation to the literature review of Chapter Two.

Chapter 6: Discussion of results

6.1 Introduction

The descriptive results are addressed before discussing each of the two objectives and their underlying hypotheses and compared to the literature review. The aim of this study was to determine the relationship between ethical leadership of the immediate manager and employee engagement, as well as to determine the relationship between interpersonal trust in the immediate manager and employee engagement in an investment banking environment in South Africa.

6.2 Discussion of the descriptive statistics

The researcher collected a total of 114 completed surveys from a total population of 222 full-time employees working within the investment banking division of a large South African financial services organisation. The study had a response rate of 51.08%. The demographic variables of age, race, gender and tenure working under the immediate manager was investigated as it may be related to employee engagement. As a result of examining the demographic variables together as one set, the results cannot be compared to previous studies which examined the effect of each individual demographic variable on employee engagement.

6.2.1 Age

Figure 2 above indicates that the highest percentage of employees, 76.3%, working within the investment banking division are younger than, or equal to, 40 years of age. The number of respondents between 41 – 50 was 21.1% and between 51 – 60 was 2.6%. There were no respondents above the age of 60. The sample in this study reported an overall mean score of 5.1 for engagement which is indicative of higher levels of engagement. 70.2% of the sample was between the ages of 31 and 50, which could explain the higher level of engagement which is in line with a study which found that as age increases, engagement increases (Schaufeli & Bakker, 2004). The small number of respondents beyond the age of fifty represented 2.6% of the sample. This could be explained as South Africa has a skills deficit in certain sectors and this could be applicable to investment banking where professionals with experience of more than

twenty years is limited. This is in line with a recent survey of employee engagement conducted in South Africa across sectors, including banking, which found that 80% of respondents were between 26 and 55 years old (Clark et al., 2015).

6.2.2 Gender

The majority of the sample were male, accounting for 59 (52%) and 55 (49%) were female as indicated in Figure 3 above. Previous academic research by Levin, Whitener and Cross (2006) found that in new work relationships, trust in an immediate manager are based primarily on gender similarity. It can be argued that due to labour legislation such as the Financial Services Charter in South Africa, financial services organisations, including their investment banking divisions, need to ensure that they have a suitable representation of female employees within the division (Mahlala, 2017). The results from this study implies that the large financial services organisation in which this study was conducted, indicates that it adheres to the legislation in South Africa.

6.2.3 Race

With reference to Figure 4, the results indicate that the majority of the respondents were White, 44 (39%), followed by Black, 28 (24%), then Indian 24 (21%), followed by Coloureds 15 (13% and finally the minority Other 3 (3%). The results from this study are in line with data which indicate that White South Africans hold more than the majority of management positions in the private sector, including financial services (Bonorchis, 2017).

6.2.4 Tenure

The results as per Table 3 indicate that the majority of the respondents, 92 (80.7%), have been working under their immediate manager for less than six years. Previous academic research has found that there is no positive correlation between tenure and employee engagement (Xu & Cooper Thomas, 2011). Other academic research has found that the length of time working under an immediate manager did not support a direct association of the trust relationship developing between employees and their immediate manager (Levin et al., 2006). Given the demand for highly skilled employees in a specialised sector such as investment banking, it can be inferred that there is either a high turnover

of employees leaving the organisation after six years or alternatively the immediate manager leaves the organisation after six years. On the other hand, in more established work relationships, trust in an immediate manager is based on personal knowledge of shared perspectives and in work relationships which are not new and not old (in between), trust is based primarily on the employees' observations and expectations of their immediate manager's behaviour observed through moderate social interaction (Levin et al., 2006).

6.3 Discussion of the three constructs

The aim of this research was to determine the relationship between the two independent variables, as measured by the two constructs of ethical leadership and interpersonal trust of the immediate manager and how these predicted and influenced the dependent variable, employee engagement, to a greater or lesser extent. In so doing, it aimed at contributing to the existing knowledge on engagement. The two independent variables, although examined from the perspective of each variable's individual impact on employee engagement, do interact with each other. Ethical leadership is related to interpersonal trust and both variables influence employee engagement. After performing multiple regression, the results showed that the two independent variables did not have a statistically significant impact on the dependent variable, employee engagement. The two independent variables explained 12.9 per cent of the model of employee engagement in this study.

6.3.1 Ethical leadership of the immediate manager

Ethical leadership of the immediate manager was determined using the ten-item ethical leadership scale (Brown et al., 2005). An analysis of the ethical leadership scale was provided in Section 5.3 in Chapter 5. Principle component analysis was used to determine the construct validity of the scale. High factor loadings ranging from 0.636 to 0.838 for each of the ten items which loaded on the one component extracted and therefore all ten items were included in the scale. The Cronbach Alpha coefficient for all the ten items in the ethical leadership scale in this study was 0.904. The high Cronbach alpha coefficient indicates a high level of internal consistency between all ten items, indicating that all items measured the same construct (Zikmund et al., 2013).

The mean score of ethical leadership was 3.66 which indicates a fairly low level of perceived ethical leadership in the immediate manager within the investment banking division of the large South African financial services organisation. The previous research conducted in South Africa which examined the influence of ethical leadership and engagement did not use the ethical leadership scale and therefore it was not possible to directly compare the means between the two studies (Engelbrecht, Heine, & Mahembe, 2014). The Pearson's correlation between ethical leadership and employee engagement in this study was 0.359, indicating that ethical leadership positively correlated to employee engagement by 35.9%.

6.3.2 Interpersonal trust

Interpersonal trust of the immediate manager was assessed using a ten-item interpersonal trust scale that comprised five items measuring affective trust and five items measuring cognitive trust (Yang & Mossholder, 2010). The results, as presented in Section 5.4.3 in Chapter 5, showed that the ten items in the interpersonal trust scale was measuring the two sub-scales of affective trust and cognitive trust and therefore loaded on two components as expected. Component one explained 63.98 per cent of the total variance and component two explained 12.08 per cent of the total variance of the interpersonal trust.

Following the principle component analysis, the Cronbach alpha coefficient for the new "Affective trust" scale in this study was 0.934 while the Cronbach alpha coefficient for the new "Cognitive trust" scale was 0.900 which showed high internal consistency and showed that the two sub-scales were measuring affective trust and cognitive trust separately. The mean score of the new affective trust scale was 3.53 and the mean score for the new cognitive trust scale was 3.86. These results indicate that, in terms of this sample, cognitive trust had a higher mean score than affective trust which implies that cognitive trust is a more important variable than affective trust in an investment banking environment. There is no comparable study in South Africa which assessed affective trust and cognitive trust in the immediate manager.

6.3.3 Employee engagement

In this study, employee engagement was examined using the nine-item Utrecht Work engagement scale (Schaufeli et al., 2006). The results of the principle component analysis, as presented in Section 5.5.2 in Chapter 5, showed that the nine items in the employee engagement scale was measuring two factors which were renamed physical engagement and emotional engagement. Following the rotation of the two factors extracted, the Cronbach alpha coefficient for the new renamed “physical engagement” scale was 0.937 while the Cronbach alpha coefficient for the new renamed “emotional engagement” scale was 0.836. Both new scales showed high internal consistency in that the two factors were measuring physical engagement and emotional engagement separately.

The mean score of the new physical engagement scale which comprised items EE1 (At work, I feel bursting with energy), EE2 (At my job, I feel strong and vigorous), EE3 (I am enthusiastic about my job), EE4 (My job inspires me) and EE5 (When I get up in the morning, I feel like going to work) was 4.84 and the mean score for the new emotional engagement scale which comprised items EE7 (I am proud of the work that I do), EE8 (I am immersed in my work) and EE9 (I get carried away when I’m working) was 5.47 (Schaufeli et al., 2006). These results indicate that, in terms of this sample, emotional engagement had a higher mean score than physical engagement.

Employees working in an investment banking environment require strong analytical and specialised financial knowledge in order to work on complex and detailed financial models which require intense concentration and absorption in their work (Schaufeli et al., 2002). This is crucial in order to prevent any error in the calculation in the value of a deal or a complex tax structure or derivative structure being implemented for a client. Employees work much longer hours to conclude large transactional deals within tight deadlines and under high stress. As a result, investment banking employees should ideally display high levels of physical energy, mental resilience and stamina throughout the term of working on a complex deal, which, in some cases, can take up to several months to conclude. Therefore, the results could imply that the respondents had lower levels of physical energy due to stress and burnout at the time of the study which correspond to the lower mean score of 4.84 for physical engagement. In an investment banking environment, an employee can show vigour through having a high work ethic and by ensuring that all work tasks and deals are finalised within the tight deadlines,

even when there are several challenges and obstacles which could derail such efforts (Schaufeli et al., 2002).

The investment banking environment is highly competitive and stressful. Employees are under constant pressure to perform and deliver outstanding work in order to secure clients and to win mandates and deals. It can be argued that efforts to increase psychological meaningfulness (Kahn, 1990) and employee engagement in the investment banking environment includes both financial and non-financial rewards for employees nominated for outstanding work and contributions to the organisation. Financial rewards include higher performance bonuses while non-financial rewards include both organisation and industry recognition and accolades for their outstanding work and performance (Greig, 2017).

Similarly, due to the confidential, prestigious, challenging and complex high profile deals on which investment banking employees have the opportunity to work, these employees usually show high levels of dedication and pride in their work, especially since the successful closing of these deals usually result in high publicity and recognition for the employees involved in these deals (Bakker & Schaufeli, 2008; Schaufeli et al., 2002). This arguably results in greater employee engagement. The higher mean score for emotional engagement in this study could imply that overall, the sample of investment banking employees were proud of the work that they do which resulted in them getting immersed and carried away with their work.

Having discussed the results of this study in terms of the three constructs as examined by the two independent variables of ethical leadership and interpersonal trust and the one dependent variable, employee engagement, the results of the objectives and underlying hypotheses as presented in Chapter Three are discussed in detail separately below.

6.4 Research objectives and hypotheses discussion

Before delving into the detailed discussion of the results of the two hypotheses, the objectives of the research were to determine the relationship between ethical leadership of the immediate manager and employee engagement as well as to determine the relationship between interpersonal trust in the immediate manager and employee engagement in an investment banking environment in South Africa.

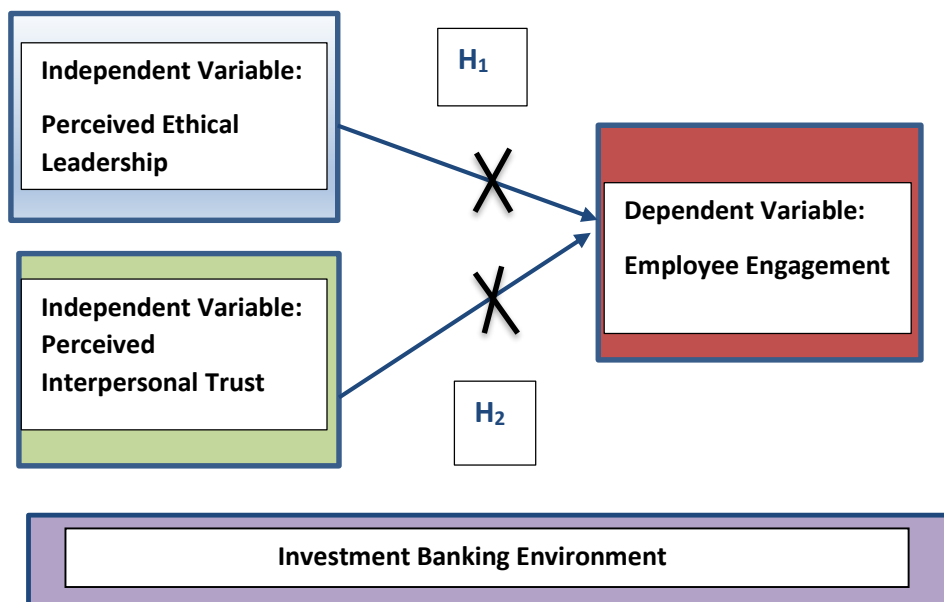
6.4.1 Hypothesis one: Ethical leadership

- **H₀1:** No significant relationship exists between ethical leadership of the immediate manager and employee engagement in an investment banking environment.

- **H₁1:** A significant relationship exists between ethical leadership of the immediate manager and employee engagement in an investment banking environment.

The summary results of this study, as per Figure 5 below, determined that ethical leadership was not a statistically significant predictor of employee engagement in an investment banking environment in South Africa (Beta = 0.349, $p > 0.05$). The statistical analysis failed to reject the null hypothesis at the 95% confidence level as shown in Chapter 5. It was therefore confirmed, that for the sample group, ethical leadership did not predict employee engagement in the investment banking division of a large South African financial services organisation.

Figure 5: Summary of the findings



The results of this study do not support previous academic research which found a statistically significant, positive relationship between ethical leadership and employee

engagement (Den Hartog & Belschak, 2012; Macey et al., 2009). A study conducted by Bedi et al. (2015) found a statistically significant, positive relationship between ethical leadership and employee engagement (Pearson's correlation = 0.37, $p < 0.05$). Similarly, a study conducted by Chughtai et al. (2015) investigating the relationship between trainee chartered accountants and their immediate managers in Ireland, found that ethical leadership of the immediate manager had a statistically significant positive relationship with employee engagement ($B = 0.77$, $p < 0.01$).

Other academic research has shown that ethical managers are effective in influencing employee behaviour due to their perceived honesty, integrity and trustworthiness (Trevino et al., 2003). As such, they act as a credible role model and display high levels of moral behaviour in order for employees to follow such behaviour (Brown & Mitchell, 2010). Ethical leaders are fair, have high integrity and are both moral managers and moral persons who communicate and reward employees for ethical behaviour (Brown & Trevino, 2006; Brown et al., 2005). Similarly, Macey et al. (2009) indicate that ethical managers motivate and empower employees by providing them with the autonomy and resources to be fully engaged. When ethical leaders assist employees to believe that their job is meaningful, employees are more likely to reciprocate through increased motivation, effort and engagement (Den Hartog & Belschak, 2012; Piccolo et al., 2010). At the same time, when employees believe that their immediate manager genuinely cares about their well-being, makes fair and balanced decisions, encourages them to speak out and practice what they say they will do, employees will perceive them to be ethical leaders (Brown et al. 2005, Brown and Mitchell, 2010).

Employee perceptions that their immediate manager is ethical, should result in high quality exchange relationships which result in employees feeling obligations to reciprocate (Blau, 1964; Chughtai et al., 2015). As discussed in Chapter Two, according to social learning theory (Bandura, 1977), employees are more likely to follow and reciprocate the integrity, values behaviour and actions of ethical role models (Brown & Trevino, 2006; Brown et al., 2005; Trevino et al., 2003). Similarly, when ethical managers treat employees fairly and equally, this could lead to a positive social exchange resulting in employees reciprocating through increased engagement (Blau, 1964; Den Hartog & Belschak, 2012; Mayer et al., 2009). As a result of such ethical behaviour, ethical leaders create both the opportunity and environment for increased employee engagement (Engelbrecht, Heine, & Mahembe, 2014). Engaged employees

show greater personal effort in their work, greater organisational commitment and are more loyal and less likely to voluntarily leave the organisation (Macey & Schneider, 2008). Den Hartog and Belschak (2012) advocate that ethical leadership focuses on high moral values and serving as role models. They also found that ethical leaders display honesty, caring and fairness which resulted in higher engagement at work ($B = 0.54$; $p < 0.01$) (Den Hartog & Belschak, 2012).

Although the results in this study were not statistically significant, they did indicate a positive correlation between ethical leadership and employee engagement. A positive relationship implies that organisations should develop and promote ethical leaders in order to increase employee engagement which will ultimately improve organisational performance. It is therefore important for organisations to develop and hire ethical leaders. In the South African context, Engelbrecht et al. (2014) conducted a recent study across various business organisations and found a statistically significant, positive relationship between ethical leadership and employee engagement ($B = 0.30$; $p < 0.01$). This study adds further empirical support to these findings in an investment banking environment.

As discussed in Chapter Two, in the investment banking environment, employees could potentially be afraid to question decisions or voice different views if the immediate manager is perceived to be a weak moral person who cannot be trusted and who lacks integrity (Brown & Mitchell, 2010). Similarly, if the immediate manager is perceived to be a weak moral manager, employees will not see him or her as fair and principled (Brown & Mitchell, 2010). The moral manager aspect refers to how the manager uses his or her formal position in the organisation, instead of his or her personal characteristics (moral person), to influence ethical employee behaviour at work (Brown & Mitchell, 2010). Moral managers uses rewards and punishments to hold employees accountable for inappropriate conduct, thus creating a system which reinforces ethics and punishes unethical behaviour (Trevino et al., 2003).

Similarly, in an investment banking environment, promotions and performance bonuses are key factors which employees use to assess whether their immediate manager is ethical and makes fair and equitable decisions (Dirks & Ferrin, 2002). In this way, the immediate manager uses the annual performance appraisal and performance rating as a key tool with which to highlight to all employees which behaviours and values are

encouraged and which are not. For example, if an investment banking employee exceeds his or her annual financial targets, which should result in a large performance bonus, but does so by going after and stealing colleagues' clients' and the immediate manager gives this employee a large bonus, this would signal to the rest of the team that such underhanded tactics and unethical behaviour is encouraged which should result in other employees behaving in a similar manner. On the other hand, if the immediate manager allocates a small bonus or cuts the bonus of the unethical employee, the manager signals that the manner in which the financial targets are exceeded matter more than the actual targets which reinforces ethical behaviour. If employees perceive such decisions to be fair, this could result in greater engagement.

Previous academic studies have found that when employees believe that their immediate manager makes fair decisions regarding remuneration, rewards and overseeing work issues, they are more likely to show greater engagement (Wong et al., 2010). Other academic studies have found that when employees do not believe that their immediate manager makes fair decisions regarding remuneration rewards and promotions, they are more likely to have lower engagement (Schaufeli & Salanova, 2007). In an investment banking environment, having employees with lower engagement could result in lower quality work which could result in high potential losses due to the large transactional values involved as well as future lost opportunities with key clients. It is therefore crucial to have engaged employees in an investment banking environment and ethical leadership can greatly assist in achieving such an outcome.

Ethical leadership is crucial to address the recent corporate and banking scandals in South Africa and internationally. For example, it can be argued that in an investment banking environment, ethical leadership and ethics can be overlooked to accomplish immediate tasks and achieve short-term profits (Brown & Trevino, 2006). For example, an investment banking manager may use his or her higher position to approve an aggressive loan facility to a local corporate, which in the context of a weakening South African economy, could struggle to repay the loan facility and which could eventually result in a loss for the bank in the medium term (within five years). However, due to the manager being measured on his or her division's annual book growth and performance, the manager will approve the deal. It can therefore be argued that the failure of corporates, investment companies and banks both locally and abroad is due to unethical managers and leaders interested in personal gain by chasing narrow, short-term annual

profits on which their performance bonuses are measured and awarded. As a result, it can be argued that the 2008 – 2009 global financial crisis was mainly caused as a result of unethical managers' focusing on short-term profits which directly impacted on their own annual performance bonuses.

It is therefore recommended that an immediate manager should strive to build strong ethical relationships with their employees in order to increase engagement which in turn, influences organisational performance. Previous academic studies have shown that it is beneficial for companies to develop ethical leaders, as ethical leaders are able to positively influence employees to achieve the organisational goals (Bedi et al., 2015). Research has shown that employees who report being engaged at work have lower employee absenteeism rates and greater commitment (Macey & Schneider, 2008), receive better performance ratings for extra effort (Bakker & Demerouti, 2008) and demonstrate enhanced job satisfaction which results in greater financial performance and shareholder return (Anitha, 2014; Harter et al., 2002; Saks, 2006; Schaufeli et al., 2006; Shuck, Reio, & Rocco, 2011; Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2009).

Although the results of this study did not find a statistically significant relationship between ethical leadership in the immediate manager and employee engagement, both the unique South African context and the fact that the sample was collected from one organisation may have contributed to the anomaly in the results when compared to previous studies in other countries and organisations examining similar constructs. In this study, immediate managers may need to be more visionary and inspirational as well as have the ability to deal with complex issues in a suitable manner which engages employees and which ensures the long term sustainability of the complex organisation (Metcalf & Benn, 2013). The employees working in the investment banking division of a large South Africa financial services company appear to be highly motivated and do not depend on the ethical leadership of the immediate manager. As such, ethical leadership may be more of a hygiene factor and without ethics, this could result in disengagement of employees (Hertzberg, 1986). The next section discusses the results of hypothesis two.

6.4.2 Hypothesis two: Interpersonal trust

- **H₀1:** No significant relationship exists between interpersonal trust and employee engagement in an investment banking environment.
- **H₁1:** A significant relationship exists between interpersonal trust and employee engagement in an investment banking environment.

The second hypothesis examined whether interpersonal trust in the immediate manager would impact on employee engagement. The summary results of this study, as per Figure 5 above, determined that interpersonal trust was not a statistically significant predictor of employee engagement in an investment banking environment in South Africa (Beta = 0.011, $p > 0.05$). The statistical analysis failed to reject the null hypothesis at the 95% confidence level as shown in Chapter Five. It was therefore confirmed, that for the sample group, interpersonal trust did not predict employee engagement. The results of this study imply that the sample of employees in the investment banking division of the large financial services organisation in South Africa have other variables which predict their employee engagement besides ethical leadership and interpersonal trust in their immediate manager.

As discussed in Chapter Two, it is through social exchange theory that employees reciprocate the fair treatment of an immediate manager they trust by showing increased engagement through increased vigour, dedication and absorption in their work (Bakker & Demerouti, 2007; Schaufeli & Bakker, 2004; Schaufeli et al., 2006, 2002). The results of this study do not support previous academic research which found that an increase in interpersonal trust between employees and managers resulted in increased organisational commitment and engagement (Harter et al., 2002). Wang and Hsieh (2013) found that employee trust in their immediate manager was significantly and positively correlated with employee engagement ($R = 0.64$, $p < 0.01$). Similarly, Chughtai et al. (2015) found that trust in the immediate manager had a statistically significant and positive relationship with employee engagement ($B = 0.40$, $p < 0.01$).

In a study conducted in the banking sector in Malaysia, Hassan and Ahmed (2011) found a statistically positive relationship between interpersonal trust in the immediate manager and employee engagement ($B = 0.32$, $p < 0.01$) as measured by the 9-item Utrecht Work

Engagement Scale (Schaufeli et al., 2006). Another study by Buckley (2011) examined the relationship between trust and engagement of human resource employees and management in a downsizing context, and found that when employees trust that their manager makes decisions with their (employee) best interests in mind, they are more engaged. Finally, in the South African context, Engelbrecht et al. (2014) found a statistically significant, positive relationship between trust in the immediate manager and employee engagement ($p < 0.05$). Their findings indicate that trust develops between the immediate manager and employees when the manager makes informed and fair work decisions which result in increased commitment and engagement of employees.

Other academic studies have found extra beneficial outcomes of trust in the immediate manager besides employee engagement. Macey and Schneider (2008) found that when employees show commitment to their job, they expect that their immediate manager would recognise the effort they put into their job and then reward them appropriately with higher bonuses or salary increases. When employees trust their immediate manager, they are more comfortable sharing work related problems with their immediate manager, trusting that their manager will reciprocate with support and understanding (Chughtai et al., 2015). This in turn, should result in feelings of reciprocation, resulting in greater engagement.

Investment banking is highly complex and requires high levels of interdependency and cooperation between the immediate manager and employees. The transactional value of the deals on which employees and his or her immediate manager work together are financially large and the reputational risk to the organisation if a deal goes wrong is high, given the high-profile corporate and government clients that are involved in investment banking deals. Interpersonal trust between employees and their immediate manager is therefore crucial and requires a high level of dependence, information sharing, mutual respect, reliability and cooperation (Dirks & Ferrin, 2002).

The investment banking environment is also heavily regulated with formal structures of compliance and hierarchies of authority in the organisation. Due to the dynamic nature of the investment banking environment, there are always statutory and legislative policy changes which require changes within the operating environment of the division and the broader organisation. Employees working in this environment need to know that they have both the autonomy and support of their immediate manager, within limits, to innovate new ways of improving structures and procedures as circumstances change.

An immediate manager who shows these attributes is more likely to result in employees trusting their words and actions resulting in greater engagement (Mayer et al., 1995).

When employees feel that their manager is unsupportive and controlling, they may interpret this as the manager sending a message that employees cannot be trusted. When employees do not trust their immediate manager, they are more likely to refrain from communicating openly, hold negative feelings and be afraid to take risks which could improve their work or organisational performance (Mo & Shi, 2015). Such behaviour negatively influences the interpersonal trust and in turn, negatively influences employee engagement. It is important to note that an employee can lead a manager to believe that he or she trusts the manager and therefore cooperates, even although he or she does not really trust his or her immediate manager (Mayer et al., 1995). The main reason for this behaviour is because the employee is afraid that the manager will use his or her organisational authority and power to make life difficult for the employee if he or she is not seen to be a team player. As previously indicated, one key way that an immediate manager can use his or her authority is through the awarding of performance bonuses which is particularly relevant in the investment banking environment.

As previously discussed in Chapter One, South Africa has a lack of skills in certain sectors such as the specialised area of investment banking. Therefore, in order to retain talented employees within the investment banking environment, it is crucial that the immediate manager develops strong trusting relationships with employees (Nienaber et al., 2015). If an immediate manager does not develop such strong interpersonal trust relationships, and employees have perceptions that their manager does not look after their best interest and is more exploitative, employees are more likely to disengage and to potentially leave the organisation (Burke et al., 2007). In the investment banking environment, such undesired employee turnover can have a major financial impact on the organisation due to lost productivity as well as the high cost of hiring new employees to replace the employees who have left the organisation. More importantly, the loss of intellectual knowledge, skills and key clients who usually follow the employee due to the strong relationships employees hold with clients in investment banking, poses serious risk to the organisation's ability to grow and remain sustainable. Given the shortage of specialised investment banking skills in South Africa, it is difficult for the organisation to quickly replace employees who voluntarily leave the organisation due to burn out. This creates challenges for the immediate manager as levels of excellent client service need to be maintained and deals need to be concluded, with fewer employees available. The

additional work load and responsibilities of the employees who have left are usually allocated and distributed to the remaining employees, which adds to their already burdened work load. This creates an environment of low employee morale and tension and conflict within the division as the work pressure becomes even more demanding. This in turn, could result in further employees becoming disengaged and burning out which could result in them deciding to leave the organisation. Ultimately, this could impact on the organisation's ability to meet the financial performance requirements and remain sustainable.

There is a high interdependence of business units and diverse teams working together on key deals for major local and international clients in investment banking (Mayer et al., 1995). In other countries and contexts outside of South Africa, there a strong similarity between the immediate manager and employees in terms of cultures, backgrounds and ways of doing business. South Africa however has a diverse and multicultural workforce which results in employees with different personalities, cultures, backgrounds and different ways of working closely together (Mayer et al., 1995). As a result of such differences, the development of interpersonal trust between the immediate manager and employees is a key requirement for the effective functioning of these teams, not similarities. Employees working in these diverse teams need to rely on each other to complete priorities and goals on which the team performance is assessed (Burke et al., 2007). The sharing of knowledge is crucial in investment banking and employees are more likely to share knowledge and learning when there is a strong trusting relationship within the team and between the immediate manager and the employees. The immediate manager provides the necessary information, technical expertise, experience and resources for the team to successfully achieve their goals and organisational performance.

The factor analysis of the interpersonal trust construct as discussed in Chapter Five reduced the combined ten interpersonal trust questions into the two items of "Affective trust" and "Cognitive trust". As discussed in Chapter Two, affective trust develops between the immediate manager and the employee though the social exchange process which results in a strong relational emotional bond between the two (McAllister, 1995; Schaubroeck et al., 2011; Schaubroeck et al., 2013; Yang & Mossholder, 2010). Similarly, employees' perceptions that their immediate manager is respectful and fair should result in a stronger emotional bond which in turn, should result in stronger affective trust (Newman et al., 2014; Yang et al., 2009; Zhu et al., 2013). Yang and

Mossholder (2010) found that affective trust in the immediate manager significantly predicted employees' affective organisational commitment. Their research also found that the development of affective trust, not cognitive trust, between employees and their immediate manager was more important for predicting outcomes, such as extra-role behaviour and job satisfaction which in turn, resulted in greater organisational performance. The results of their study were in contrast to the study undertaken by Dirks and Ferrin (2002) which showed that cognitive trust was a better predictor than affective trust in influencing employee outcomes such as engagement. The results of this study show that affective trust in the immediate manager is important as it should allow employees to feel emotionally connected and safe to speak openly and share information with other team members which will ultimately improve the team performance and in turn, lead to greater organisational performance (Schaubroeck et al., 2011).

On the other hand, affective trust could potentially not be as important as cognitive trust in an investment banking environment since personal relationships with the immediate manager may be less of an influence of employee engagement in such an environment. As discussed in Chapter Two, cognitive trust develops when employees make rational decisions about their immediate manager's competence and reliability which are crucial in the complex and specialised investment banking environment (Dirks & Ferrin, 2002; Schaubroeck et al., 2011; Yang & Mossholder, 2010). Investment banking deals usually involve high profile clients and are complex. As a result, investment banking employees are usually under pressure to deliver accurate results within tight deadlines which result in them having high stress levels. In such an environment, it is important for employees to trust the financial capability and competence of their immediate manager when working together on complex investment banking deals. Any lack of competence will result in lower levels of cognitive trust in the manager (Burke et al., 2007).

Other studies have found that increased cognitive trust between the immediate manager and employees result in them being less concerned about covering their back and more focused on delivering quality work (Yang et al., 2009). The job demands-resources model implies that if the immediate manager provides employees with suitable support and authority to make independent decisions, this could result in them being less stressed and becoming engaged in their work (Bakker & Demerouti, 2007; Schaufeli & Bakker, 2004). In an investment banking environment, cognitive trust would therefore appear to be more beneficial for the immediate manager's success in achieving

organisational performance. This is mainly because employees are under immense pressure to finalise deals under tight deadlines and do not have the time to worry about watching their back. When the immediate manager forms strong cognitive trust relationships with employees in such high stress environments, employees are more likely to be more committed to the team and are more likely to be more engaged.

Previous academic studies have shown that when new employees join a team, through the social exchange process, they use their cognitive trust to determine whether they can trust the competency and knowledge of both team members as well as their immediate manager (Dirks & Ferrin, 2002; Schaubroeck et al., 2011; Yang & Mossholder, 2010). New employees also assess whether their immediate manager has set clear objectives and goals. This allows them to perform on independent tasks as well as to develop reciprocal trusting relationships based on mutual obligations. This is likely to result in new employees developing greater cognitive trust in their manager which enables them to more easily contribute to the team performance (Schaubroeck et al., 2011).

6.5 Chapter conclusion

This study examined the three individual constructs and formulated the two hypotheses based on academic theory. The results from this study found that an ethical immediate manager as well as interpersonal trust in the immediate manager did not predict employee engagement in an investment banking environment in a large South Africa financial services organisation. The results did however find that ethical leadership in the immediate manager has a stronger correlation with employee engagement than interpersonal trust in the immediate manager. The findings of this research contribute towards a greater understanding of employee engagement in sectors such as investment banking in South Africa which addresses some of the gaps in the literature on employee engagement. The next chapter discusses the principle theoretical findings of the study, the implications for management, the limitations and recommendations for future research.

Chapter 7: Conclusion

7.1 Introduction

The present study examined whether perceived ethical leadership in the immediate manager predicted and contributed to employee engagement as well as whether interpersonal trust between the immediate manager and employees predict and contribute to employee engagement in an investment banking environment in South Africa. There has been limited academic studies examining the influence of ethical leadership and interpersonal trust on employee engagement and none in the South African context. The study contributes to the body of academic literature by examining these relationships in the investment banking division of a large South African financial services organisation. In the highly competitive investment banking industry, having an ethical leadership style as well as greater interpersonal trust between immediate managers and employees should result in greater engagement of these employees, resulting in greater company performance. This is essential in achieving a competitive advantage in today's challenging economic environment in South Africa following the recent ratings downgrade to sub-investment grade. The chapter also highlights the key findings and highlights practical implications for managers to focus on in investment banking divisions in South Africa. Finally, the limitations of the research are briefly discussed, followed by recommendations for future research.

7.2 Principle findings

7.2.1 Research objective one and Hypothesis one

The first objective of this study was to determine whether there is a relationship between ethical leadership (independent variable) and employee engagement (dependent variable) in the investment banking division of a large South African financial services organisation. After conducting a standard multiple regression analysis on the data, the regression showed that the two independent variables, ethical leadership and interpersonal trust accounted for 12.9% of the unique variance in the dependent variable, employee engagement and was not statistically significant ($p < 0.05$). These findings are not consistent with previous academic studies which have found a statistically significant

positive relationship between ethical leadership and employee engagement (Den Hartog & Belschak, 2012; A. Engelbrecht et al., 2014; Macey et al., 2009).

7.2.2 Research objective two and Hypothesis two

The second objective of this research was to determine whether there was a relationship between interpersonal trust (independent variable) and employee engagement (dependent variable) in the investment banking division of a large South African financial services organisation. After conducting a standard multiple regression analysis on the data, it was found that interpersonal trust and ethical leadership both accounted for 12.9% of the variance in the dependent variable, employee engagement, but was not statistically significant ($p < 0.05$). The variable did however have a positive correlation to employee engagement. These findings are not consistent with previous academic studies which have found a statistically significant positive relationship between trust and employee engagement (Buckley, 2011; A. Engelbrecht et al., 2014; Wong et al., 2010).

7.3 Implications for immediate managers in an investment banking environment

It is important to note that every organisation has its own unique culture which could influence the results. Although the results of this study indicate that that ethical leadership and interpersonal trust between the immediate manager and employees are not key predictors affecting the engagement levels in the investment banking division of one large financial services organisation in South Africa, similar studies conducted across several investment banking divisions and financial services organisations in South Africa could indicate results which are more in line with other countries that found statistically significant relationships between the variables. Taking this caveat into account, the general implications for organisations and managers are as follows:

7.3.1 Promoting ethical leadership

Organisations should focus on developing and promoting ethical leadership which should be beneficial in reducing corporate and banking scandals as well as increasing employee engagement. Importantly, organisations should focus efforts on ethics training for immediate middle managers since the daily informal interactions with immediate

managers influence employee engagement more than mandatory codes of ethics (Mayer et al., 2009). As such, organisations should focus more on ethical behaviours and attributes in their selection and development of immediate managers and other leaders as well as during the employee performance appraisal process (Mayer et al., 2010). For example, during the interview process, organisations could present potential employees with a possible ethical dilemma and then evaluate how the potential employee responds to the dilemma. Similarly, organisations can use structured interviews as well as tests to determine the potential employee's ethics and character (Newman et al., 2014).

Another practical implication is that organisations can invest resources in ethics training programmes for immediate managers which focuses on promoting and communicating ethical behaviour in the organisation (Mayer et al., 2010). In this way, the organisation continues to develop ethical leaders who are both moral people and moral managers. Human resource (HR) practices and policies should emphasise the importance of being an ethical employee in order to create an ethical climate in the organisation (Mayer et al., 2010). Such policies should be communicated to all so that employees are able to learn, not just through their own experiences, but also through other employees' rewards and punishments for ethical or unethical behaviour.

Organisations should evidence that they reward and support employees who communicate the importance of ethics, behave ethically and immediate managers who are seen as ethical role models (Mayer et al., 2009). Immediate managers should discuss ethical issues with their employees, include them in the decision making and empower them to take ownership over their own work and to display sincere concern for (Tu & Lu, 2016). The practical recommendations of ethical leadership highlighted above should result in greater employee engagement.

7.3.2 Increasing interpersonal trust

Immediate managers should focus on forming strong interpersonal trust between employees in order to influence engagement and commitment to the organisation (Yang et al., 2009). Newman et al. (2014) advocate that organisations should train immediate managers to display behaviours that promote the development of interpersonal trust between employees, such as managers providing individual support and advice. Brown

et al. (2005) indicate that immediate managers should share important organisational decisions which affect employees as soon as possible. They should also share the principles and decision-making process that was used to make decisions in order to develop trusting relationships between employees.

Dirks and Ferrin (2002) indicate that organisations should spend their limited resources on establishing trusting relationships between immediate managers and employees. This is important because when employees do not have trust in their immediate manager or they fear to communicate openly with their manager, this can result in negative behaviour in the organisation. An immediate manager can only be successful when employees genuinely trust him or her and cooperate in an open manner. Therefore, managers should create an ethical climate which emphasises interpersonal trust between employees (Mo & Shi, 2015). An immediate manager needs to ensure that employees clearly understand their job role and how their performance is assessed which will allow them to take accountability for their performance and not depend on their immediate manager's competence as a result of developing high cognitive trust (Zhu et al., 2013).

7.3.3 Engaging employees

Although employee engagement can be seen as a broad organisational strategy that impacts on the entire organisation, immediate managers can play a crucial role in developing employee engagement. According to Saks (2006), immediate managers need to realise the role of social exchange to increase employee engagement. For example, immediate managers should provide employees with suitable organisational support that will result in them reciprocating through increased engagement. Organisations can also promote employee engagement through ethical leadership training as well as through the performance appraisal processes with immediate managers. Such efforts create perceptions among employees that both the organisation and the manager is supportive of their needs and well-being (Rich et al., 2010).

Other academics contend that today's modern economy makes it challenging for leaders to manage employee performance (Gruman & Saks, 2011). They go on to argue that the performance appraisal can be seen as an opportunity to assess both employee performance and employee engagement. Therefore, immediate managers should focus

more on promoting both employee engagement and an ethical climate in order to drive organisational performance instead of trying to manage performance. In order to promote greater employee engagement, immediate managers should rather play the role of a coach. This requires that the immediate manager receives suitable training which focuses on providing suitable resources which will in turn, result in increased engagement (Gruman & Saks, 2011). A key consideration is that employee engagement requires close interactions between employees over time before they can generate reciprocal dependence.

7.4 Limitations of the study

The key limitations of this study are as follows:

- Firstly, the sample was restricted to the investment banking division of a large financial services organisation in South Africa and therefore the findings may have affected the generalisability of the findings. In addition, there may have been some unique characteristics of the division and cultural context which may have influenced the relationship between the variables.
- Secondly, the study was cross-sectional and the results indicate correlations and not causality. The research design should be experimental to examine the way in which social exchange theory influences these relationships.
- Thirdly, the study was investigated in the investment banking financial services industry and some elements of trust may have been more important than others which makes it difficult to generalise the results across other industries.
- Fourthly, the study did not take the context of the culture of the organisation into account which could be a key variable influencing the results in this study. Similarly, the measurement of interpersonal trust through surveys at one particular time may not be suitable since trust perceptions are dynamic and change over time (Burke et al., 2007).
- Fifthly, respondents each self-reported the perception of their immediate manager's ethical leadership which may be biased due to their relationship with their immediate manager (either good or bad relationship). However, having multiple respondents rate the same manager could result in a more accurate assessment than the manager reporting their own ethical leadership (Yukl et al., 2013).

- Sixthly, the organisational culture and climate in the investment banking division may be unique to other work contexts in which similar studies were conducted which may explain the different results.
- The remainder of the limitations were discussed in section 4.13 above.

7.5 Recommendations for future research

Future studies is needed to examine other means by which engagement contributes to performance advantages for organisations. One potential avenue is to examine whether employee engagement is influenced by work teams or peers instead of ethical leaders or interpersonal trust. Similarly, future research should examine the role of culture in South Africa and how this influences employee perceptions of the leaders' ethical behaviour. The researcher used self-report measurement instruments for respondents to measure their own personal assessments of the constructs and variables. Other research could explore whether ethical leadership in the immediate manager influences the business unit (team performance) or whether interpersonal trust of the immediate manager influences the business unit (team engagement). This study used standard multiple regression to test the hypotheses. Future studies could test mediation regression to test the hypotheses. Similarly, future studies could examine whether cognition trust precedes affective trust or examine the relationship between trust and the immediate manager and other outcomes. Future studies could also explore whether transformational leadership has an influence on employee engagement in this particular context.

7.6 Conclusion

Given the recent high profile corporate and banking scandals both in South Africa and globally, both ethical managers and interpersonal trust in immediate managers are crucial to prevent further scandals. Despite the importance of ethical leadership and interpersonal trust between immediate managers and employees, there has been limited research into whether these factors drive engagement. The purpose of this study was therefore, to examine the relationship between ethical leadership and interpersonal trust in the immediate manager and how this influences employee engagement in the investment banking division of a large South African financial services organisation which depends on close interdependence between employees and immediate managers.

Although the results were not statistically significant, the present research does indicate a correlation between ethical leadership and employee engagement in the investment banking division of a large South African financial services organisation. An immediate manager needs to be both a moral manager and a moral person to influence employee behaviours. Social learning theory and social exchange theory was used as the theoretical lens to link ethical leadership and interpersonal trust in the immediate manager to employee engagement. This study met the objectives by quantitatively showing the relationships between the two independent variables and the one dependent variable. This could assist investment banking divisions in other financial services organisations to focus on the factors that drive engagement and in turn, prevent further scandals and drive company performance and sustainability.

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Appendix A: Online survey questionnaire

Preamble

Dear colleague,

As part of my master's degree, I am conducting research to examine the relationship between ethical leadership, interpersonal trust and employee engagement.

The survey should not take more than 15 minutes of your time. Please read each statement carefully and decide which option is most applicable by selecting the number that best describes how frequently you feel that way.

Your participation is voluntary and you can withdraw at any time. No names are required and all data is completely anonymous and strictly confidential. By completing the survey, you indicate that you voluntarily participate in this research.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

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Thank you for your participation.

1. My gender is:

A. Female

B. Male

2. My age from my last birthday in years is:

21 – 30 years

31 – 40 years

41 – 50 years

51 – 60 years

61 and above

3. In the South African context, I am classified as:

- A. Black
- B. Coloured
- C. Indian
- D. White
- E. Other

4. Length of service in years working under immediate manager:

- 0 – 3 years
- 4 – 6 years
- 7 – 9 years
- 10 – 12years
- 13 – 15 years
- 16 years and above

Ethical Leadership Scale

	Please select the option which best represents you feel about each statement	Strongly Disagree	Disagree	Hard to Decide	Agree	Strongly Agree
1	My immediate manager listens to what employees have to say.	1	2	3	4	5
2	My immediate manager disciplines employees who violate ethical standards.	1	2	3	4	5
3	My immediate manager conducts his/her personal life in an ethical manner.	1	2	3	4	5
4	My immediate manager has the best interest of employees in mind.	1	2	3	4	5
5	My immediate manager makes fair and balanced decisions.	1	2	3	4	5
6	My immediate manager can be trusted.	1	2	3	4	5

7	My immediate manager discusses business ethics or values with employees.	1	2	3	4	5
8	My immediate manager sets an example of how to do things the right way in terms of ethics.	1	2	3	4	5
9	My immediate manager defines success not just by results but also by the way they are obtained.	1	2	3	4	5
10	My immediate manager when making decisions, asks "what is the right thing to do"?	1	2	3	4	5

Brown, M. E., Trevino, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes*, 97(2), 117–134.

Interpersonal Trust (Cognitive trust and Affective Trust)

	Please select the option which best represents you feel about each statement	Strongly Disagree	Disagree	Hard to Decide	Agree	Strongly Agree
1	I can depend on my immediate manager to meet his/her responsibilities.	1	2	3	4	5
2	I can rely on my immediate manager to do what is best at work.	1	2	3	4	5
3	My immediate manager follows through with commitments he/she makes.	1	2	3	4	5
4	Given immediate manager's track record, I see no reason to doubt his/her competence.	1	2	3	4	5
5	I'm confident in my immediate manager because (s)he approaches work with professionalism.	1	2	3	4	5
6	I'm confident that my immediate manager will always care about my personal needs at work.	1	2	3	4	5
7	If I shared my problems with my immediate manager, I know (s)he would respond with care.	1	2	3	4	5
8	I'm confident that I could share my work difficulties with my immediate manager.	1	2	3	4	5
9	I'm sure I could openly communicate my feelings to my immediate manager.	1	2	3	4	5
10	I feel secure with my immediate manager because of his/her sincerity.	1	2	3	4	5

Yang, J., & Mossholder, K. W. (2010). Examining the effects of trust in leaders: A bases-and-foci approach. *Leadership Quarterly*, 21(1), 50–63.

Employee Engagement

	Please select the option which best represents you feel about each statement	Never	Almost Never (a few times a year or less)	Rarely (once a month or less)	Sometimes (a few times a month)	Often (once a week)	Very Often (a few times a week)	Always (everyday)
1	At my work, I feel bursting with energy.	1	2	3	4	5	6	7
2	At my job, I feel strong and vigorous.	1	2	3	4	5	6	7
3	I am enthusiastic about my job.	1	2	3	4	5	6	7
4	My job inspires me.	1	2	3	4	5	6	7
5	When I get up in the morning, I feel like going to work.	1	2	3	4	5	6	7
6	I feel happy when I am working intensely.	1	2	3	4	5	6	7
7	I am proud of the work that I do.	1	2	3	4	5	6	7
8	I am immersed in my work.	1	2	3	4	5	6	7
9	I get carried away when I'm working.	1	2	3	4	5	6	7

Schaufeli, W. B., Bakker, A. B., & Salanova, M. (2006). The Measurement of work engagement with a short questionnaire: A cross-national study. *Educational and Psychological Measurement*, 66(4), 701–716.

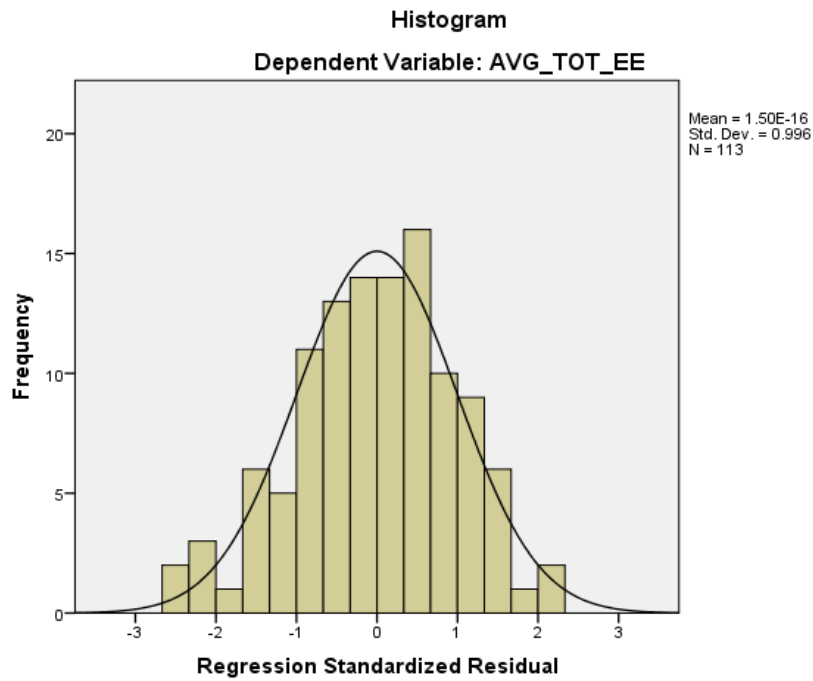
Appendix B: Codebook

ITEM	LABEL
Demographic Variables	
Gender	Female = 1; Male = 2
Age	Age = number
Race	Black = 1; Coloured =2; Indian = 3; White = 4; Other = 5
Tenure	Tenure = number
Ethical Leadership Scale	
	Strongly Disagree=1; Disagree=2; Hard to decide=3; Agree=4; Strongly Agree=5
My immediate manager listens to what employees have to say.	EL1
My immediate manager disciplines employees who violate ethical standards.	EL2
My immediate manager conducts his/her personal life in an ethical manner.	EL3
My immediate manager has the best interest of employees in mind.	EL4
My immediate manager makes fair and balanced decisions.	EL5
My immediate manager can be trusted.	EL6
My immediate manager discusses business ethics or values with employees.	EL7
My immediate manager sets an example of how to do things the right way in terms of ethics.	EL8
My immediate manager defines success not just by results but also by the way they are obtained.	EL9
My immediate manager when making decisions, asks "what is the right thing to do?"	EL10
TOTAL SCORE ETHICAL LEADERSHIP	TOTALEL
Perceived Interpersonal Trust (PIT)	Strongly Disagree=1; Disagree=2; Hard to decide=3; Agree=4; Strongly Agree=5
Cognitive trust in supervisor (5-item)	
I can depend on my immediate manager to meet his/her responsibilities.	TC1
I can rely on my immediate manager to do what is best at work.	TC2
My immediate manager follows through with commitments he/she makes.	TC3

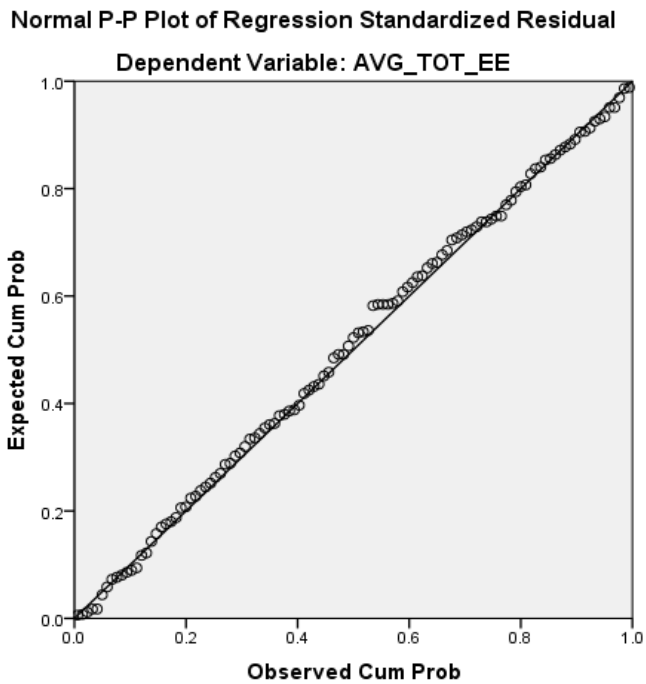
Given my immediate manager's track record, I see no reason to doubt his/her competence.	TC4
I'm confident in my immediate manager because (s)he approaches work with professionalism.	TC5
Affective trust in supervisor (5-item)	Strongly Disagree=1; Disagree=2; Hard to decide=3; Agree=4; Strongly Agree=5
I'm confident that my immediate manager will always care about my personal needs at work.	TA1
If I shared my problems with my immediate manager, I know (s)he would respond with care.	TA2
I'm confident that I could share my work difficulties with my immediate manager.	TA3
I'm sure I could openly communicate my feelings to my immediate manager.	TA4
I feel secure with my immediate manager because of his/her sincerity.	TA5
TOTAL SCORE PERCEIVED INTERPERSONAL TRUST	TOTALPIT
<u>Employee Engagement (9-item UWES)</u>	Never=1; Almost Never=2; Rarely=3; Sometimes=4; Often=5; Very Often=6; Always=7
At my work, I feel bursting with energy.	EE1
At my job, I feel strong and vigorous.	EE2
I am enthusiastic about my job.	EE3
My job inspires me.	EE4
When I get up in the morning, I feel like going to work.	EE5
I feel happy when I am working intensely.	EE6
I am proud of the work that I do.	EE7
I am immersed in my work.	EE8
I get carried away when I'm working.	EE9
TOTAL SCORE WORK ENGAGEMENT	TOTALEE

Appendix C: Multiple regression graphs

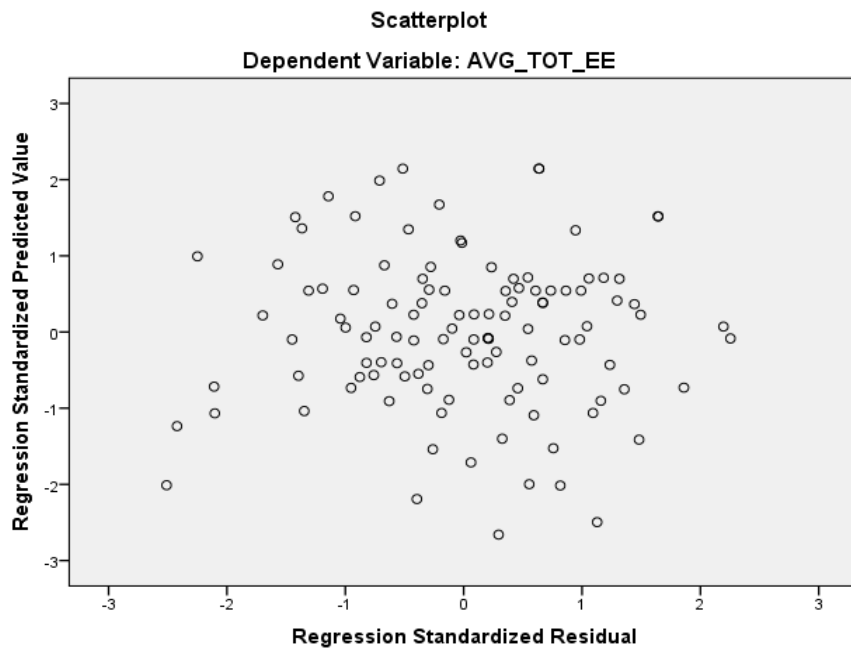
Histogram of normal distribution



Scatterplots showing linearity



Scatterplots of standardised residuals



Appendix D: Multiple regression – ANOVA, Coefficients and Pearson's correlation

Table 24: Pearson's Correlation

		AVG_TOT_EE	AVG_TOT_EL	AVG_TOT_PIT
Pearson Correlation	AVG_TOT_EE	1.000	.359	.315
	AVG_TOT_EL	.359	1.000	.868
	AVG_TOT_PIT	.315	.868	1.000
Sig. (1-tailed)	AVG_TOT_EE		.000	.000
	AVG_TOT_EL	.000		.000
	AVG_TOT_PIT	.000	.000	
N	AVG_TOT_EE	113	113	113
	AVG_TOT_EL	113	113	113
	AVG_TOT_PIT	113	113	113

Table 25: Analysis of variance (ANOVA)

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.300	2	6.150	8.145	.001 ^b
	Residual	83.062	110	.755		
	Total	95.363	112			

a. Dependent Variable: AVG_TOT_EE

b. Predictors: (Constant), AVG_TOT_PIT, AVG_TOT_EL

Table 26: Coefficients

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	95,0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta				Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	3.125	0.487			6.424	0.000	2.161	4.089					
	AVG_TOT_EL	0.531	0.131	0.359	4.054	0.000	0.272	0.791	0.359	0.359	0.359	1.000	1.000
2 (Constant)	3.127	0.489			6.390	0.000	2.157	4.097					
	AVG_TOT_EL	0.517	0.265	0.349	1.947	0.054	-0.009	1.042	0.359	0.183	0.173	0.246	4.060
	AVG_TOT_PIT	0.014	0.222	0.011	0.064	0.949	-0.425	0.453	0.315	0.006	0.006	0.246	4.060

a. Dependent Variable: AVG_TOT_EE

Appendix E: Descriptive statistics

Ethical leadership descriptive statistics

Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
EL1	113	3	2	5	421	3.73	.079	.837	.701
EL2	113	3	2	5	412	3.65	.077	.823	.677
EL3	113	3	2	5	441	3.90	.070	.744	.553
EL4	113	3	2	5	397	3.51	.083	.877	.770
EL5	113	3	2	5	399	3.53	.081	.856	.733
EL6	113	3	2	5	410	3.63	.087	.928	.861
EL7	113	3	2	5	397	3.51	.083	.888	.788
EL8	113	3	2	5	429	3.80	.077	.815	.664
EL9	113	3	2	5	410	3.63	.085	.908	.825
EL10	113	3	2	5	420	3.72	.077	.818	.669
TOT_EL	113	30	20	50	4136	36.60	.587	6.237	38.902
AVG_TO T_EL	113	3.00	2.00	5.00	413.60	3.6602	.05867	.62372	.389

Interpersonal trust descriptive statistics

Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
TC1	113	3	2	5	438	3.88	.089	.946	.895
TC2	113	3	2	5	424	3.75	.083	.882	.777
TC3	113	3	2	5	416	3.68	.088	.938	.880
TC4	113	3	2	5	451	3.99	.088	.931	.866
TC5	113	3	2	5	450	3.98	.077	.824	.678
TA1	113	3	2	5	390	3.45	.090	.954	.911
TA2	113	3	2	5	420	3.72	.087	.921	.848
TA3	113	3	2	5	411	3.64	.091	.964	.930
TA4	113	3	2	5	388	3.43	.096	1.025	1.051
TA5	113	3	2	5	385	3.41	.089	.951	.904
TOT_PIT	113	30	20	50	4173	36.93	.702	7.467	55.763
AVG_TO T_PIT	113	3.00	2.00	5.00	417.30	3.6929	.07025	.74674	.558

Employee engagement descriptive statistics

Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
EE1	113	6	1	7	540	4.78	.109	1.155	1.335
EE2	113	6	1	7	547	4.84	.109	1.162	1.349
EE3	113	5	2	7	564	4.99	.111	1.176	1.384
EE4	113	5	2	7	538	4.76	.108	1.144	1.308
EE5	113	6	1	7	548	4.85	.134	1.428	2.040
EE6	113	6	1	7	611	5.41	.107	1.139	1.297
EE7	113	5	2	7	626	5.54	.103	1.094	1.197
EE8	113	4	3	7	618	5.47	.104	1.111	1.233
EE9	113	6	1	7	564	4.99	.127	1.353	1.830
TOT_EE	113	43	20	63	5156	45.63	.781	8.305	68.968
AVG_TOT_EE	113	4.78	2.22	7.00	572.89	5.0698	.08680	.92274	.851

Appendix F: Correlation and component matrix of the Ethical Leadership scale

Table 27: Correlation matrix of the ethical leadership scale (*0.05)

		EL1	EL2	EL3	EL4	EL5	EL6	EL7	EL8	EL9	EL10
Correlation	EL1	1.000	.273	.373	.704	.604	.638	.383	.402	.487	.472
	EL2	.273	1.000	.323	.402	.358	.376	.349	.384	.348	.354
	EL3	.373	.323	1.000	.447	.488	.413	.415	.586	.435	.468
	EL4	.704	.402	.447	1.000	.632	.730	.461	.535	.589	.565
	EL5	.604	.358	.488	.632	1.000	.678	.425	.643	.520	.510
	EL6	.638	.376	.413	.730	.678	1.000	.364	.632	.523	.531
	EL7	.383	.349	.415	.461	.425	.364	1.000	.430	.416	.534
	EL8	.402	.384	.586	.535	.643	.632	.430	1.000	.524	.543
	EL9	.487	.348	.435	.589	.520	.523	.416	.524	1.000	.566
	EL10	.472	.354	.468	.565	.510	.531	.534	.543	.566	1.000

a. Determinant = .005

Table 28: Component matrix of the ethical leadership scale

Item	Statement	Component 1
EL1	My immediate manager listens to what employees have to say.	.737
EL2	My immediate manager disciplines employees who violate ethical standards.	.540
EL3	My immediate manager conducts his/her personal life in an ethical manner.	.666
EL4	My immediate manager has the best interest of employees in mind.	.838
EL5	My immediate manager makes fair and balanced decisions.	.809
EL6	My immediate manager can be trusted.	.817
EL7	My immediate manager discusses business ethics or values with employees.	.636
EL8	My immediate manager sets an example of how to do things the right way in terms of ethics.	.778
EL9	My immediate manager defines success not just by results but also by the way they are obtained.	.740
EL10	My immediate manager when making decisions, asks "what is the right thing to do?"	.756

Extraction Method: Principal Component Analysis.

Appendix G: Correlation and component matrix of the Interpersonal Trust scale

Table 29: Correlation matrix of the interpersonal trust scale (*0.05)

Correlation Matrix^a

	TC1	TC2	TC3	TC4	TC5	TA1	TA2	TA3	TA4	TA5
Correlation TC1	1.000	.701	.649	.607	.559	.537	.513	.508	.442	.483
TC2	.701	1.000	.638	.672	.695	.559	.540	.523	.574	.611
TC3	.649	.638	1.000	.580	.594	.561	.453	.592	.581	.557
TC4	.607	.672	.580	1.000	.780	.487	.581	.384	.472	.589
TC5	.559	.695	.594	.780	1.000	.431	.629	.408	.453	.591
TA1	.537	.559	.561	.487	.431	1.000	.675	.791	.756	.799
TA2	.513	.540	.453	.581	.629	.675	1.000	.668	.699	.714
TA3	.508	.523	.592	.384	.408	.791	.668	1.000	.766	.737
TA4	.442	.574	.581	.472	.453	.756	.699	.766	1.000	.797
TA5	.483	.611	.557	.589	.591	.799	.714	.737	.797	1.000

a. Determinant = .000

Table 30: Component matrix of the interpersonal trust scale

Component Matrix^a

	Component	1	2
TA1	I'm confident that my supervisor will always care about my personal needs at work.	.831	
TA2	If I shared my problems with my supervisor, I know (s)he would respond with care.	.812	
TA3	I'm confident that I could share my work difficulties with my supervisor.	.803	-.432
TA4	I'm sure I could openly communicate my feelings to my supervisor.	.825	
TA5	I feel secure with my supervisor because of his/her sincerity.	.867	
TC1	I can depend on my supervisor to meet his/her responsibilities.	.744	
TC2	I can rely on my supervisor to do what is best at work.	.812	
TC3	My supervisor follows through with commitments he/she makes.	.772	
TC4	Given my supervisor's track record, I see no reason to doubt his/her competence.	.764	.450
TC5	I'm confident in my supervisor because (s)he approaches work with professionalism.	.762	.455

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Appendix H: Correlation and component matrix of the Employee Engagement scale

Table 31: Correlation matrix for the employee engagement scale

Correlation Matrix ^a										
		EE1	EE2	EE3	EE4	EE5	EE6	EE7	EE8	EE9
Correlation	EE1	1.000	.805	.767	.750	.710	.510	.406	.506	.256
	EE2	.805	1.000	.803	.730	.626	.549	.455	.474	.198
	EE3	.767	.803	1.000	.868	.749	.549	.482	.495	.252
	EE4	.750	.730	.868	1.000	.776	.582	.618	.602	.287
	EE5	.710	.626	.749	.776	1.000	.592	.464	.512	.277
	EE6	.510	.549	.549	.582	.592	1.000	.646	.554	.373
	EE7	.406	.455	.482	.618	.464	.646	1.000	.694	.432
	EE8	.506	.474	.495	.602	.512	.554	.694	1.000	.472
	EE9	.256	.198	.252	.287	.277	.373	.432	.472	1.000
a. Determinant = .001										

Table 32: Component matrix for employee engagement scale

		Component	
		1	2
EE1	At my work, I feel bursting with energy.	.836	
EE2	At my job, I feel strong and vigorous.	.828	
EE3	I am enthusiastic about my job.	.876	
EE4	My job inspires me.	.907	
EE5	When I get up in the morning, I feel like going to work.	.832	
EE6	I feel happy when I am working intensely.	.759	
EE7	I am proud of the work that I do.	.726	.456
EE8	I am immersed in my work.	.742	.410
EE9	I get carried away when I'm working.	.450	.663

Extraction Method: Principal Component Analysis.

Appendix I: Ethical leadership – Author’s summary of the key literature

Table 33: Ethical leadership – Author’s summary of the key literature

Author	Year	Underlying theories, antecedents and outcomes of ethical leadership	Journal	ABS Ranking
Kalshoven, van Dijk & Boon.	2016	Ethical leadership and unethical follower behaviour	Journal of Managerial Psychology	3
Tu & Lu	2016	The moderating role of intrinsic motivation; extra-role performance	Journal of Business Ethics	3
Bedi, Alpaslan & Green	2015	Descriptive meaning of ethical leadership; social exchange theory, social learning theory; overlap of ethical leadership with other types of leadership such as transformational and transactional leadership; work related outcomes such as employee voice, attitudes of leader, LMX	Journal of Business Ethics	3
Ruiz-Palomino, Saez-Martinez & Martinez-Canas.	2013	Perceived ethical leadership by supervisors moderates the job characteristics-pay satisfaction relationship.	Journal of Business Ethics	3
Mayer, Aquino, K., Greenbaum, R.L., & Kuenzi, M.	2012	Explaining unethical behaviour and interpersonal conflicts in work units; social learning theory, moral manager and moral person	Academy of Management Journal	4*
Avey, Wernsing & Palanski.	2012	Ethical leadership effect on employee voice and psychological ownership; social exchange theory foundation.	Journal of Business Ethics	3
Eisenbeiss.	2012	Ethical leadership construct development; critique of current studies which are seen as western based.	Leadership Quarterly	4
Jordan, Brown, Trevino, Finkelstien	2011	Direct relationship between leaders’ style of ethical reasoning and followers’ perceptions of leaders’ ethical leadership; ethical leadership scale, social learning theory.	Journal of Management	4*

Ruiz, P., Ruiz, C., Martinez, R	2011	Ethical leadership and moral manager; role of trust	Journal of Business Ethics	3
Brown & Mitchell.	2010	Moral person, moral manager; social exchange theory; unethical leaders	Business Ethics Quarterly.	4
Piccolo, Greenbaum, Hartog & Folger	2010	Ethical leadership link to role of core job characteristics; effort and performance.	Journal of Organizational Behavior	4
Mayer, Kuenzi & Greenbaum	2010	Ethical climate and the relationship between ethical leadership and employee misconduct.	Journal of Business Ethics.	3
Avey, Palanski, Walumbwa.	2010	Effects of ethical leadership on follower organizational citizenship behaviour (OCB) and deviant behaviour.	Journal of Business Ethics	3
Mayer, Kuenzi, Greenbaum, Bardes Salvador	2009	Theoretical foundation of social learning theory and social exchange theory; senior executive leaders versus supervisors; employee voice	Organizational Behavior and Human Decision Process.	4
Brown & Trevino	2006	Compares with a moral dimension of leadership e.g. authentic and transformational leadership. Foundation - Social Learning Theory	Leadership Quarterly	4
Brown M.E.; Trevino, L.K.; & Harrison.	2005	Social learning perspective; prior empirical research; ethical relationship with followers and outcomes; ethical leadership scale (ELS) development; link of transactional processes such as performance appraisal, rewards and punishment to ethical leadership.	Organizational Behavior and Human Decision Processes.	4
Trevino, Brown & Hartman	2003	Executive ethical leadership; people orientation; ethical standards and accountability	Human relations journal	4

Appendix J: Interpersonal trust – Author’s summary of the key literature

Table 34: Interpersonal trust - Author’s summary of the key literature

Author	Year	Underlying theories, antecedents and outcomes of trust	Journal	ABS Ranking
Niebaber, A.M., Romeike P.D, Searle, R. & Schewe,	2015	Consequences and outcomes of trust in supervisor-subordinate relationships; subordinate & organisational outcomes	Journal of Managerial Psychology	3
Newman, Kiazad, Miao & Cooper	2014	Affective trust and cognitive trust; effect of trust on organisational citizenship behaviour (OCB); social learning theory and social exchange theory, McAllister's model of trust	Journal of Business Ethics	3
Lu. X.	2014	Affective and cognitive Trust, organisational citizenship behaviour (OCB)	Social Behavior and Personality	Unknown
Schaubroeck, Peng & Hannah	2013	Influence and role trust in co-workers (peers and leaders) has in a newcomers’ performance; social exchange theory; affective & cognitive trust	Academy of Management Journal.	4
Newman, Miao & Hooke	2012	Cognitive and affective trust; social exchange theory; McAllister's model of trust	Leadership Quarterly	4
Schaubroeck, Lam & Peng.	2011	Affective trust and cognitive trust; Leadership influences; Affect-based trust and psychological Safety; McAllister's model	Journal of Applied Psychology	4
Yang, J., and Mossholder	2010	Trust in the supervisor and work behaviour; affective trust and cognitive trust; trust measurement scale	Leadership Quarterly.	4
Yang, Mossholder & Peng.	2009	Affective trust and cognitive trust between supervisors and subordinates; cognitive trust and task performance	Leadership Quarterly	4

Burke, Sims, Lazzara, Salas	2007	Integrative model of trust in leadership; conceptualising trust; integrity, organisational citizenship behaviour and turnover link to trust	Leadership Quarterly	4
Dirks and Ferrin	2002	Trust in direct supervisors; theoretical trust framework; relationship with job performance, organisational citizenship behaviour and job satisfaction	Journal of Applied Psychology.	4
Mayer, Davis & Schoorman	1995	Organisational level trust	The Academy of Management Review	4*
McAllister, D.	1995	The relationship between affective trust and cognitive trust and trust in organisations	Academy of Management Journal.	4

Appendix K: Employee engagement– Author’s summary of the key literature

Table 35: Employee Engagement – Author’s summary of the literature

Author	Year	Underlying theories, antecedents and outcomes of employee engagement	Journal	ABS Ranking
Clark, van Lingen & Swarts	2017	Employee engagement in South Africa	Public Display Technologies	Unknown
Merry	2013	Engagement's impact on performance leadership role in engagement, AON's model	Strategic HR Review	Unknown
Hartog & Belshak.	2012	Ethical leadership link to trust, role of employee engagement.	Journal of Business Ethics	3
Gruman & Saks	2011	Performance management and employee engagement; limitations of employee engagement surveys; trust and justice during performance appraisals.	Human Resource Management Review	3
Rich, Lepine & Crawford	2010	Khan's definition of engagement; link to job performance; antecedents of engagement - perceived organisational support	Academy of Management Journal	4
Khan	2010	Personal engagement and disengagement of employees.	Academy of Management Journal	4
Macey & Scheider.	2008	Definition of employee engagement which is conceptually distinct from organisational commitment and organisational citizenship behaviour.	Industrial and Organizational Psychology	3
Bakker & Demerouti	2008	Work engagement definition of vigour, absorption and dedication; 9-item Utrecht Work Engagement Scale (UWES)	Career Development International	2
Saks	2006	Employee engagement definition and overview which is different from organisational commitment; social exchange theory overview, consequences of employee engagement.	Journal of Managerial Psychology	3
Schaufeli, Bakker & Salanova	2006	Development of short questionnaire to measure work engagement as defined by vigour, dedication and absorption; 9-item Utrecht Work Engagement Scale (UWES)	Educational and Psychological Measurement.	Unknown
Harter, Schimdt, Hayes	2002	Role of direct manager or supervisor in influencing employee engagement	Journal of Applied Psychology	4

Appendix L: Ethics Clearance

**Gordon
Institute
of Business
Science**
University
of Pretoria

14 June 2017

Hassim Coleman

Dear Hassim Coleman,

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee